

# Scrutiny & Overview Committee Agenda



To: Councillor Rowenna Davis (Chair), Councillor Richard Chatterjee (Vice-Chair), Leila Ben-Hassel, Sue Bennett, Simon Fox and Eunice O'Dame

Reserve Members: Louis Carserides, Mario Creatura, Amy Foster, Gayle Gander, Brigitte Graham and Joseph Lee

A meeting of the **Scrutiny & Overview Committee** which you are hereby summoned to attend, will be held on **Tuesday, 16 January 2024 at 6.30 pm** in **Council Chamber, Town Hall, Katharine Street, Croydon CR0 1NX**.

Katherine Kerswell  
Chief Executive  
London Borough of Croydon  
Bernard Weatherill House  
8 Mint Walk, Croydon CR0 1EA

Simon Trevaskis  
Senior Democratic Services & Governance  
Officer - Scrutiny  
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www.croydon.gov.uk/meetings  
Monday, 8 January 2024

Members of the public are welcome to attend this meeting, or you can view the webcast both live and after the meeting has completed at <http://webcasting.croydon.gov.uk>

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If you require any assistance, please contact Simon Trevaskis as detailed above.

## **AGENDA – PART A**

**1. Apologies for Absence**

To receive any apologies for absence from any members of the Committee.

**2. Minutes of the Previous Meeting**

To approve the minutes of the meeting held on 21 November 2023 as an accurate record (to follow).

**3. Disclosure of Interests**

Members are invited to declare any disclosable pecuniary interests (DPIs) and other registrable and non-registrable interests they may have in relation to any item(s) of business on today's agenda.

**4. Urgent Business (if any)**

To receive notice of any business not on the agenda which in the opinion of the Chair, by reason of special circumstances, be considered as a matter of urgency.

**5. 2023-24 Period 6 & 7 Financial Performance Reports (Pages 5 - 42)**

The Scrutiny & Overview Committee is presented with the Period 6 Financial Performance Monitoring report (Period 7 to follow) for its information. The Committee is asked to: -

1. Review the information provided in the report on the 2023-24 Period 6 & 7 Financial Performance Reports, and
2. Consider its conclusions on the latest budget position for 2023-24
3. Consider whether there are any recommendations to bring to the attention of the Mayor.

**6. 2024-25 Budget Setting Update**

The Scrutiny & Overview Committee will be provided with an update from the Council's Section 151 Officer on the progress made with developing the 2024-25 Budget.

**7. Capital Programme and Capital Strategy 2023-29 (Pages 43 - 98)**

The Scrutiny & Overview Committee is provided with a report considered by the Mayor at the Cabinet meeting on 6 December, regarding the Capital Programme and Capital Strategy 2023-2029. The Committee is asked to: -

1. Review the information provided in the report on Capital Programme and Capital Strategy 2023-29 and
2. Decide whether there are any concerns or recommendation to reflect in the Committee's report on 2024-25 Budget.

**8. Quarterly Procurement Plan Update (Pages 99 - 108)**

The Scrutiny & Overview Committee is presented with the Quarterly Procurement Plan Update report considered by the Mayor at the Cabinet meeting on 6 December 2023. The Committee is asked to: -

1. Review the information provided in the Quarterly Procurement Plan report and
2. Decide whether there are any concerns or recommendation it wishes to make to the Mayor on the content of the report
3. Decide whether there are any areas where further scrutiny should be scheduled at a later date.

**9. Scrutiny Recommendations (Pages 109 - 116)**

The Scrutiny & Overview Committee is asked to review the response provided by Mayor to recommendations made by the Scrutiny & Overview Committee.

**10. Scrutiny Work Programme 2022-23 (Pages 117 - 142)**

The Scrutiny & Overview Committee is asked to: -

1. Note the most recent version of the Scrutiny Work Programme presented in the report.
2. Consider whether there are any other items that should be provisionally added to the work programme as a result of the discussions held during the meeting.

**11. Exclusion of the Press and Public**

The following motion is to be moved and seconded where it is proposed to exclude the press and public from the remainder of a meeting:

“That, under Section 100A(4) of the Local Government Act, 1972, the press and public be excluded from the meeting for the following items of business on the grounds that it involves the likely disclosure of exempt information falling within those paragraphs indicated in Part 1 of Schedule 12A of the Local Government Act 1972, as amended.”

**PART B**

## LONDON BOROUGH OF CROYDON

<b>REPORT:</b>	<b>Scrutiny &amp; Overview Committee</b>	
<b>DATE OF DECISION</b>	<b>16 January 2024</b>	
<b>REPORT TITLE:</b>	<b>2023-24 Period 6 &amp; 7 Financial Performance Report</b>	
<b>CORPORATE DIRECTOR</b>	<b>Jane West, Corporate Director of Resources (Section 151)</b> <b>jane.west@croydon.gov.uk</b> 020 8726 6000 Ext 27320	
<b>LEAD OFFICER:</b>	<b>Allister Bannin, Director of Finance</b>	
<b>LEAD MEMBER:</b>	<b>Councillor Jason Cummings Cabinet Member for Finance</b>	
<b>AUTHORITY TO TAKE DECISION:</b>	The attached report is presented to the Scrutiny & Overview Committee as part of its ongoing Budget Scrutiny work.	
<b>KEY DECISION?</b>	<b>No</b>	
<b>CONTAINS EXEMPT INFORMATION?</b>  <i>(* See guidance)</i>	<b>No</b>	Public
<b>WARDS AFFECTED:</b>	All	

### 1. 2023-24 PERIOD 6 & 7 FINANCIAL PERFORMANCE REPORTS

- 1.1. Attached at Appendix A to this cover report is the latest financial performance of the Council at the end of period 6 (September 2023). It is anticipated that the period 7 (October 2023) report will be for circulation to the Committee prior to the meeting on 16 January 2024.
- 1.2. These reports are presented to the Scrutiny & Overview Committee as part of its ongoing scrutiny of the budget, allowing reassurance to be sought on the delivering of 2023-24 budget.

### 2. RECOMMENDATIONS

- 2.1. The Committee is asked to: -

1. Review the information provided in the report on the 2023-24 Period 6 & 7 Financial Performance Reports, and
2. Consider its conclusions on the latest budget position for 2023-24
3. Consider whether there are any recommendations to bring to the attention of the Mayor.

**CONTACT OFFICER:**

Simon Trevaskis – Senior Democratic Services & Governance Officer – Scrutiny

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**Appendix A: 2023-24 Period 6 Financial Performance Report**

**Appendix B: 2023-24 Period 7 Financial Performance Report (to follow)**

# LONDON BOROUGH OF CROYDON

<b>REPORT:</b>	<b>CABINET</b>		
<b>DATE OF DECISION</b>	<b>6 December 2023</b>		
<b>REPORT TITLE:</b>	<b>2023-24 Period 6 Financial Performance Report</b>		
<b>CORPORATE DIRECTOR</b>	<b>Jane West Corporate Director of Resources (Section 151 Officer)</b>		
<b>LEAD OFFICER:</b>	<b>Allister Bannin, Director of Finance (Deputy S151)</b>		
<b>LEAD MEMBER:</b>	<b>Cllr Jason Cummings, Cabinet Member for Finance</b>		
<b>KEY DECISION?</b>	<b>Yes</b>	<b>Reason: Key Decision – Decision incurs expenditure, or makes savings, of more than £1,000,000 or such smaller sum which the decision-taker considers is significant having regard to the Council’s budget for the service or function to which the decision relates</b>	
<b>CONTAINS EXEMPT INFORMATION?</b>	<b>No</b>	<b>Public Grounds for the exemption: N/A</b>	
<b>WARDS AFFECTED:</b>	<b>All</b>		

## 1 SUMMARY OF REPORT

1.1 This report provides the Council’s financial performance as at Period 6 (September 2023) for the General Fund, Housing Revenue Account (HRA) and the Capital Programme. The report forms part of the Council’s financial management process for publicly reporting financial performance on a monthly basis.

### Financial Performance Summary Table

Financial Performance Area	2023-24 Revised Budget (£m)	2023-24 Forecast (£m)	2023-24 Forecast Variance (£m)	2023-24 Forecast Variance (%)
Revenue Forecast (General Fund)	340.9	340.9	-	-
Revenue Forecast (Housing Revenue Account)	-	12.0	12.0	N/A
Capital Forecast (General Fund)	144.7	127.1	(17.6)	(12.2%)
Capital Forecast (Housing Revenue Account)	33.2	38.9	5.7	17.2%

## 2 RECOMMENDATIONS

For the reasons set out in the report, the Executive Mayor in Cabinet is recommended:

- 2.1** to note the General Fund revenue budget outturn is forecast to breakeven at Period 6, after the forecast utilisation of £63m capitalisation directions requested from DLUHC, £3.5m of the corporate risk contingency budget and £2.2m of the corporate economic demand pressures budget. It is not planned to utilise the risk contingency budget and directorates will work to bring the service directorate positions within budget.
- 2.2** to approve the movement of £2.2m economic demand pressures budget from Corporate to the Housing directorate as set out in paragraph 4.95. This is a budget transfer within directorates, not a change to overall budget, and is in line with the intended purpose of the £5.5m economic demand pressures budget agreed at full Council in March 2023.
- 2.3** to note the progress in MTFs savings achievement as set out in paragraph 4.105.
- 2.4** to note the work that has commenced on the Council's Transformation Programme as set out from paragraph 4.100.
- 2.5** to note the Housing Revenue Account (HRA) revenue budget outturn is forecast to overspend by £12.0m.
- 2.6** to note the General Fund capital programme 2023-24 forecast underspend of £17.6m against the revised capital budget of £144.7m.
- 2.7** to note the HRA capital programme 2023-24 forecast overspend of £5.7m against the revised capital budget of £33.2m.
- 2.8** to note the Council's historic borrowing and debt burden continues to be critical to the sustainability of the Council's revenue budget. Dialogue with the Department for Levelling Up, Housing and Communities (DLUHC) continues, and the Council is seeking further financial support from Government in regards to its level of indebtedness and balancing the budget to ensure it can deliver sustainable local government services.
- 2.9** to note that the Council continues to operate Spend Control Panels to ensure that tight financial control and assurance oversight are maintained.
- 2.10** to note that current forecasts are based on the best available information at the time and will be subject to review and change during the financial year.



### **3 REASONS FOR RECOMMENDATIONS**

- 3.1** The Financial Performance Report is presented monthly to Cabinet and provides a detailed breakdown of the Council's financial position and the in-year challenges it faces. It covers the General Fund, Housing Revenue Account (HRA) and Capital Programme. The Financial Performance Report ensures there is transparency in the financial position, and enables scrutiny by the Executive Mayor, Cabinet, Scrutiny & Overview Committee and the public. It offers reassurance regarding the commitment by Chief Officers to more effective financial management and discipline.

### **4 BACKGROUND AND DETAILS**

- 4.1** The 2023-24 budget approved by Council in March 2023 set a net revenue budget of £340.9m. This required capitalisation directions from government of £63m to balance, owing to resolving historical inaccurate accounting treatments and to fund the ongoing annual servicing of debt.
- 4.2** The Council's historic legacy borrowing and debt burden continues to be critical to the sustainability of the Council's revenue budget.
- 4.3** The current forecast is that the Council will breakeven against the 2023-24 General Fund revenue budget, however this is following the forecast utilisation of the £63m capitalisation directions requested from DLUHC, £3.5m of the corporate risk contingency budget and £2.2m of the corporate economic demand pressures budget. It is not planned to utilise the risk contingency budget and directorates will work to bring the service directorate positions within budget.

#### **Cost of Living Considerations**

- 4.4** There are a number of inflationary pressures that the Council, like all local authorities, is managing. The UK's Consumer Prices Index (CPI) inflation rate was 6.7% in the 12 months to September 2023, remaining high albeit lower than the Office for National Statistics (ONS) reporting in November 2022 that the CPI hit 11.1% in October 2022. This impact goes beyond the Council as the cost of living is affecting all households and businesses.
- 4.5** These macro-economic factors are impacted by international events and, therefore, well beyond the control of Croydon Council. Despite the limitations, the Council is seeking to support households wherever possible.
- 4.6** A dedicated cost of living information hub has been established on the Council's website. This provides a single source of information, informing residents of the financial support available and signposting to further support, advice and guidance.

**4.7** The Council provides a wide range of support for residents that may be struggling owing to cost of living pressures. These include:

- Discretionary support for residents in financial hardship, including the Household Support Fund
- Council Tax support – for residents on a low income or in receipt of benefits, Council Tax bills could be reduced by up to 100%
- Council Tax Hardship Fund (supporting low income households that cannot afford to pay their full increase in Council Tax)
- Housing Revenue Account (HRA) discretionary fund targeted for tenants that are not in receipt of housing benefit
- Benefits calculator, to ensure residents receive the support to which they are entitled
- Energy advice, including heating and money saving options, through our Croydon Healthy Homes service
- Free holiday activity clubs with healthy meals for children
- Croydon Works to help residents into employment or to receive training to support them into work and funding of the voluntary sector to provide advice and guidance

**4.8** The cost of living information hub also signposts residents to a range of support provided by other organisations in Croydon, including:

- NHS Healthy Start vouchers for families
- Free school meals
- Support from voluntary, community and faith sector organisations
- Support for businesses through the London Business Hub and the British Business Bank
- CroydonPlus credit union which offers affordable ways to manage money, including savings accounts and loans

## **GENERAL FUND REVENUE BUDGET SUMMARY**

**4.9** The General Fund revenue forecast outturn shows an overall balanced position following the forecast utilisation of the £63m capitalisation directions requested from DLUHC. The service directorates show a forecast overspend of £5.7m which is offset by utilisation of the corporate risk contingency budget (£3.5m) and corporate economic demand pressures budget (£2.2m). It is not planned to utilise the risk contingency budget and directorates will work to bring the service directorate positions within budget.

**Table showing the revenue forecasts by Directorate**

Directorate	Net Budget (£m)	Actuals to Date (£m)	Forecast (£m)	Forecast Variance (£m)	Prior Month Forecast Variance (£m)	Change in Forecast Variance (£m)
Adult Social Care and Health	141.0	85.6	141.2	0.2	1.4	(1.2)
Assistant Chief Executive	40.8	19.6	40.3	(0.5)	(0.6)	0.1
Children, Young People and Education	96.2	46.4	102.0	5.8	5.4	0.4
Housing	19.3	13.1	21.5	2.2	-	2.2
Resources	35.2	83.5	33.2	(2.0)	(2.1)	0.1
Sustainable Communities, Regeneration & Economic Recovery	70.6	22.9	70.6	-	-	-
<b>Subtotal Service Directorates</b>	<b>403.1</b>	<b>271.1</b>	<b>408.8</b>	<b>5.7</b>	<b>4.1</b>	<b>1.6</b>
Corporate Items and Funding	(62.2)	(26.4)	(67.9)	(5.7)	(4.1)	(1.6)
<b>Total Net Expenditure Budget</b>	<b>340.9</b>	<b>244.7</b>	<b>340.9</b>	<b>-</b>	<b>-</b>	<b>-</b>

- 4.10** Work will continue through to the end of the year to manage those areas with forecast overspends to ensure the Council remains within budget.
- 4.11** The Council continues to build on the improvements in financial management that were made last financial year. However, there is a considerable amount yet to do, which is fully recognised within the organisation.
- 4.12** A monthly budget assurance process and independent challenge of expenditure takes place. This is in addition to Cabinet and Scrutiny & Overview Committee review. The assurance meetings provide the Corporate Director of Resources (Section 151 Officer) and the Chief Executive with an opportunity to scrutinise and challenge the forecast outturn, review risks and opportunities, and ensure that savings are delivered and income targets are met. The meetings ensure the Council is doing all it can to reduce overspends and deliver a balanced budget.

## **DIRECTORATE VARIANCES**

### **ADULT SOCIAL CARE AND HEALTH (ASCH)**

Division	Net Budget (£m)	Actuals to Date (£m)	Forecast (£m)	Forecast Variance (£m)
Adult Social Care Operations	120.9	74.1	121.7	0.8
Adult Strategic Commissioning, Policy & Improvement	18.2	10.5	17.7	(0.5)
Central ASCH	1.9	1.0	1.8	(0.1)
<b>Total ASCH</b>	<b>141.0</b>	<b>85.6</b>	<b>141.2</b>	<b>0.2</b>

- 4.13** At period 6 the ASCH directorate has a forecast overspend of £0.2m (0.1%) against a budget of £141.0m which is an improvement of £1.2m.
- 4.14** The ASCH Directorate has challenging savings targets totalling circa £10m to deliver in 2023-24 on placements and care packages through demand management, commissioning and review of care packages.

Adult Social Care Operations - Forecast overspend of £0.8m

- 4.15** Staffing across this division demonstrates a forecast underspend (broken down by area below) owing to periods of vacancy above the £1m MTFS 5% vacancy factor saving applied to staffing budgets in 2023-24. There is a national shortage of both social workers and occupational therapists and recruitment to many roles is proving challenging. The periods of vacancy are a barrier to achieving savings as staff are focused on statutory delivery rather than delivering transformation to improve performance, data management and reduce operational risks across the directorate.
- 4.16** Localities & LIFE have an underspend of (£1.5m) owing to a net underspending on care and staffing costs.
- 4.17** Working Age Adults and Transitions has an overspend of £4.1m. This comprises an overspend on care of £4.2m (owing to clients with increased care needs) which is partly mitigated by an underspend in staffing of (£0.1m). The overspend includes care package savings not yet evidenced of £1.3m (this has reduced from £1.4m at Period 5), against a challenging target of £5.3m. It should also be noted that this area was overspent by £2.3m in 2022-23. The directorate has committed to achieving further savings to offset the budget pressure.
- 4.18** Provider Services has a (£1.1m) forecast underspend on staffing owing to vacancies.
- 4.19** Safeguarding service has a (£0.1m) forecast underspend on staffing owing to vacancies across the service.
- 4.20** Business Compliance and Early Intervention has a (£0.1m) forecast underspend on staffing owing to vacancies.
- 4.21** Mental health services have a (£0.5m) forecast underspend owing to the application of external discharge funding.

Adult Social Care Policy and Improvement – Forecast underspend of (£0.5m)

- 4.22** The Policy and Improvement division is forecasting an underspend of (£0.5m) owing to staffing vacancies and minor contract underspends.

### Central ASCH – Forecast underspend of (£0.1m)

**4.23** The underspend is a result of the delays in recruitment to fixed term and temporary positions to provide additional capacity to improve performance, data management and reduce operational risks across the directorate.

#### **4.24** Risks

- Risks continue in the provider market from inflation including higher fuel, labour and property costs which may result in claims for increased fees and/or financial instability with the potential for ‘handing back’ contracts. The potential reprovisioning costs if providers exit the market could be significant. It should be noted that this risk is already materialising. Providers are requesting increases in costs for existing care packages and new placements are increasing in costs. These are included in the forecast and are hardest felt in the working age adult cohort.

#### **4.25** Opportunities

- Savings achievement is improving and will support the forecast going forward for the ASCH directorate.

## **ASSISTANT CHIEF EXECUTIVE (ACE)**

<b>Division</b>	<b>Net Budget (£m)</b>	<b>Actuals to Date (£m)</b>	<b>Forecast (£m)</b>	<b>Forecast Variance (£m)</b>
Policy, Programmes and Performance	4.1	2.2	3.7	(0.4)
Elections Service	0.9	0.2	0.9	-
Croydon Digital and Resident Access	32.2	15.0	32.1	(0.1)
Chief People Officer	3.5	1.7	3.5	-
Central ACE	0.1	0.5	0.1	-
<b>Total ACE (General Fund)</b>	<b>40.8</b>	<b>19.6</b>	<b>40.3</b>	<b>(0.5)</b>
<b>Public Health Grant Ringfenced Services</b>	<b>-</b>	<b>4.7</b>	<b>-</b>	<b>-</b>

**4.26** At period 6, the ACE directorate has a General Fund forecast underspend of £0.5m (1.2%) against a budget of £40.8m.

#### Policy, Programmes & Performance Division - £0.4m forecast underspend

**4.27** Recruitment is continuing into the new staffing structure for the Policy, Programmes and Performance Division. The forecast underspend is owing to periods of vacancy of some posts in the new structure. The budget has reduced by £1.2m from Period 5 owing to the movement of the Coroner’s Service and Resilience Team to the SCRER directorate.

#### Elections Service - breakeven position

**4.28** There is a breakeven forecast against budget for the Council’s core Elections Service.

Croydon Digital and Resident Access Division - £0.1m forecast underspend

- 4.29** Underspends in Concessionary Travel are forecast owing to staff vacancies and a favourable final concessionary travel settlement for the year.
- 4.30** The Digital and Resident Access Division is undergoing a review to assess the achievability of in-year MTFS savings for staffing and IT contracts.

Chief People Officer Division - breakeven position

- 4.31** There is a breakeven forecast against budget for the Chief People Officer Division.

Central Assistant Chief Executive - breakeven position

- 4.32** There is a breakeven forecast against budget for the Central Assistant Chief Executive Division.

Public Health Division – breakeven position in ringfenced grant after movement in reserves

- 4.33** It is currently forecast that Public Health will contribute £5.0m to ring fenced Public Health reserves at the end of 2023-24.
- 4.34** A Council wide task and finish group has been set up to address underspends in the Public Health Grant (for the current year and the accumulated balance on the balance sheet as an earmarked Public Health reserve from underspends in previous years) by identifying appropriate commissioning opportunities.

**4.35** Risks

- The majority of the costs of administering the London Assembly, Mayor of London, and a potential General Election, in 2024 will be reclaimed from the Greater London Authority (GLA) and the UK Government's Consolidated Fund. As the criteria for reclaiming costs have not yet been set, there is a risk that the Council may incur costs which cannot be reclaimed which would need to be funded corporately. It is likely that any such costs will fall in the 2024-25 financial year.

**4.36** Opportunities

- There are no opportunities to report on at this time for the ACE directorate.

## CHILDREN, YOUNG PEOPLE AND EDUCATION (CYPE)

Division	Net Budget (£m)	Actuals to Date (£m)	Forecast (£m)	Forecast Variance (£m)
Children's Social Care	72.4	32.7	77.4	5.0
Unaccompanied Asylum Seeking Children (UASC) and UASC Care Leavers	(0.3)	2.3	-	0.3
Asylum Seekers and Homes for Ukraine	-	(6.7)	-	-
Quality, Commissioning and Performance Improvement	6.7	0.8	7.3	0.6
Non-DSG Education Services	16.9	17.1	16.8	(0.1)
Central CYPE	0.5	0.2	0.5	-
<b>Total CYPE (General Fund)</b>	<b>96.2</b>	<b>46.4</b>	<b>102.0</b>	<b>5.8</b>
<b>Dedicated Schools Grant (DSG) High Needs Education Services</b>	<b>82.0</b>	<b>46.3</b>	<b>82.7</b>	<b>0.7</b>
<b>Dedicated Schools Grant (DSG) Early Years Block</b>	<b>31.1</b>	<b>18.7</b>	<b>31.1</b>	<b>-</b>

**4.37** At period 6, the CYPE directorate has a General Fund forecast overspend of £5.8m (6.0%) against a budget of £96.2m. This is an adverse movement of £0.4m since period 5.

### Children's Social Care Division – forecast overspend of £5.3m (including UASC and UASC Care Leavers)

£2.8m placements overspend owing to seven high-cost placements including residential, semi-independent and one secure. Three of these high-cost placements are new in 2023-24.

Analysis is being undertaken on a continuous basis to review all high-cost placements with the aim to reduce spend where possible. Senior officers are engaging robustly with neighbouring councils who have placed children and families with complex needs in the borough in temporary accommodation. Where this provision does not meet the family's specialist needs, Croydon's placement costs can be up to £1m per annum.

£2.0m staffing overspend, which includes a pension budget shortfall of £0.8m since 2020-21. This was previously fully offset by underspends owing to vacancies and delays in recruitment however this cannot be accommodated in 2023-24.

£0.1m under-achievement in income (including £0.5m unachieved 2022-23 MTFS NHS Funding savings which have been partially offset through other income).

£0.1m potential overspend on Adopt London South, over and above the agreed budget owing to interagency fees and staffing costs across the consortium calculated at year end.

£0.3m overspend in the Unaccompanied Asylum-Seeking Children (UASC) budget because of the disproportionate number of care experienced young people who were

formerly unaccompanied children. At 18 years old the grant provided by the Home Office to the Council for young people's care and support reduces significantly.

Quality, Commissioning and Performance Improvement Division – forecast overspend of £0.6m

- 4.38** The division is forecasting a staffing overspend of £0.2m from the 5% vacancy factor MTFS saving of £0.3m applied to the 2023-24 budget (as several teams are fully staffed) plus the impact of increased quality assurance activity to track the impact of the pandemic on outcomes for children. The pressure may reduce during the year if there are periods of vacancy.
- 4.39** An anticipated Public Health contribution of £0.4m, which relates to a 2022-23 MTFS saving, is being reviewed by the cross-Council Public Health funding task and finish group.

Non-DSG Education services – forecast underspend of £0.1m

- 4.40** Non-DSG Education services are forecasting an underspend of £0.1m, with staffing vacancies offsetting income pressures in other parts of the service.
- 4.41** £0.3m unachieved 2022-23 MTFS NHS Funding savings are being mitigated by underspends in other areas of the service.

Dedicated Schools Grant (DSG) High Needs education services – forecast overspend of £0.678m

- 4.42** The SEND High Needs forecast at period 6 is an overspend of £0.678m against the budget of £82.059m. There is no movement from the period 5 position.
- 4.43** The overall variance at Period 6 represents £0.047m favourable variance from the expected overspend of £0.725m submitted to the Department of Education (DfE) Safety Valve Team as part of the approved Deficit Recovery Plan. The service is delivering all the savings strategies as set out in the Safety Valve (SV) agreement including the use of the High Needs Provision Capital Allocation (HNPCA) to help deliver more local schools places as well as improve existing provisions to meet the increasing placement demands for complex needs pupils. The service submitted the 2023-24 Quarter 2 High Needs monitoring reports to the DfE Safety Valve team by the set deadline and the DfE has confirmed the Council will receive the Quarter 2 instalment payment of 1.097m.
- 4.44** See below the key areas:

£2.199m Out of Borough and Independent – Forecast overspend due to an increase in complex cases above that expected, requiring out of borough placements to meet needs. The service is in discussions with some local providers to set up Enhanced Learning Provision during the Autumn Term.

£1.110m overspend due to increased placements in Mainstream Education provision exceeding the budgeted allocation. This forms part of the invest to save SEND



strategy in year 2.

(£0.406m) underspend in Early Years provision.

(£0.250m) underspend in top up funding related to delayed implementation of the proposed expansion of Enhanced Learning Provision across a few schools.

(£0.953m) underspend in the Service Transformation budget set up to support the DSG Deficit Recovery strategy.

(£0.400m) underspend in funding related to staffing cost in therapies and support services owing to service re-alignment to maximise savings.

(£0.622m) expected clawback from specific Resource Provision (academies) for extra funding received from DfE.

**4.45** Dedicated Schools Grant (DSG) High Needs education services will continue to closely monitor the demands pressures in Independent and Out of Borough placements owing to cost implications. Addington Valley Academy, St Nicholas, Coulsdon College Croydon, and Waddon Youth Disability Services are increasing placement numbers, which is reducing high-cost placements out of borough.

**4.46** The 2023-24 period 6 High Needs forecast outturn variance of £0.678m leads to an overall DSG deficit projection of £16.062m at the end of 2023-24 compared to the Safety Valve target of £16.080m prior to the £3.290m Deficit Recovery payment from the DfE as per the Safety Valve agreement. This demonstrates that the Council is ahead of the target.

#### Dedicated Schools Grant (DSG) Early Years Block – forecast breakeven position

**4.47** The Department for Education (DfE) provides six key funding streams for the Early Years Block. The budget allocation for 2023-24 is £31.088m and a breakeven position is forecast. The government recently announced an additional grant (Supplementary funding) of £2.507m for Croydon covering the period from September 2023 to March 2024. The DfE operational guide directs local authorities to “pass-through” 100% of the allocation to the sector and the Council is on target to meet the DfE requirements.

#### **4.48** Risks

- The Children’s Social Care Division is monitoring placement and care package expenditure during the year. Pressure on placement spend is due to the sufficiency challenges both locally and nationally. The introduction of regulation for supported accommodation is predicted to increase charges as providers seek to pass on costs to Local Authorities. “Costs of new Ofsted regulation and inspection regime for semi-independent placement provision could be nine times higher than government funding, whilst one in five care beds could be withdrawn”, report warns – London Innovation and Improvement Alliance (LIIA).
- Services previously funded by the HRA have been reviewed for eligibility which may result in a General Fund pressure of £0.9m.

- The service is also reviewing the housing accommodation charges from the Housing General Fund for Care Experienced Young People.
- The £0.3m unachieved income budget within the High Needs General Fund budget poses an indirect financial risk to the Safety Valve target should there be a need to offset the £0.3m potential shortfall to support activities or resources (EHCP Coordinators) within the SEND service. The service is exploring all mitigating options available.
- The service is monitoring all of the risks associated with the Safety Valve target which includes increasing complexity of needs requiring additional funding for special schools, increasing placement costs and extra out of borough placements to meet the local needs of some CYP pupils with complex needs.

#### 4.49 Opportunities:

- There could be some staffing underspends from periods of vacancy.
- Potential underspend of £0.3m in legal costs, if the lower numbers of care proceedings and UASC age assessment challenges continue.

## HOUSING

Division	Net Budget (£m)	Actuals to Date (£m)	Forecast (£m)	Forecast Variance (£m)
Resident Engagement and Allocations	19.2	12.9	21.4	2.2
Housing Estates and Improvement	0.1	0.2	0.1	-
<b>Total Housing</b>	<b>19.3</b>	<b>13.1</b>	<b>21.5</b>	<b>2.2</b>

**4.50** At period 6, the Housing directorate has a General Fund forecast overspend of £2.2m (11.4%) against the budget of £19.3m. The forecast overspend is owing to emergency accommodation pressures resulting from evictions (including as courts action case backlogs which were paused during the Covid-19 pandemic) and accelerated Home Office decision making which is increasing the numbers of asylum seekers and refugees requiring housing in the borough. It is requested through this report to transfer £2.2m budget to the Housing directorate from the Corporate economic demand pressures budget.

**4.51** There is a crisis within the London housing market that is creating significant demand for services, and it is difficult to predict how far or fast demand will continue to grow. The data available following the changeover of rent account systems to the new NEC IT system is now improving although further improvements to forecasting accuracy can be expected as data quality is addressed, reporting is developed further, and more data analysis is performed.

**4.52** Current financial modelling of a worst case scenario for emergency and temporary accommodation indicates that the 2023-24 overspend could increase up to circa £7m

and this will be monitored closely over the remaining months of the financial year to check whether levels of new housing placements continue at the current higher level or return to being in line with longer term historical trends. The pressures experienced by Croydon are also being experienced across London and nationally and therefore central government may provide in-year funding such as through a potential winter pressures top up to the Homelessness Prevention Grant (which has not been announced to date, but was provided in recent years).

**4.53** The emergency and temporary accommodation budgets were increased by £4.8m in 2023-24 from the corporate non-pay inflationary pressures budget to mitigate inflation pressures, however the demand pressures as described are causing the forecast overspend.

**4.54** A top-up to the Homelessness Prevention Grant (HPG) of £1.9m has been announced by DLUHC to cover homelessness pressures relating to Ukrainian refugees. This funding may also be used to fund wider homelessness pressures and reporting requirements are in line with the existing HPG requirements. The grant top-up could also help offset any potential detriment to income collection resulting in the bad debt provision being increased at year end.

#### Emergency Accommodation

**4.55** There are a number of factors that impact expenditure against this budget. Firstly, there has been a demand rise in the number of households that have been placed into Emergency Accommodation. The factors that have pushed up demand include:

- The large number of bailiffs warrants from the private sector being issued as the courts are catching up with the backlog of cases since the Covid amnesty. Restrictions were lifted in 2021 but there has been a long backlog through the courts for these cases hence the delayed impact on the homelessness service.
- The number of asylum-seeking households which is adding a pressure on available affordable accommodation. There are over 1,000 asylum seekers currently in hotel accommodation and government have pledged to close around 100 hotels this year and bring in a streamlined assessment process. As a result, from August 2023 the Home Office accelerated their decision making for asylum claims and give very short notice when people are to be evicted from their accommodation, this could be as short as 7 days. This is an additional pressure as the Council does not receive any financial assistance for these households.
- Family evictions are also increasing, potentially linked to the decrease in availability of housing in the private rented sector (PRS) and the increase in evictions detailed above and subsequent short-term arrangements breaking down.

**4.56** Additional to the increase in demand the service discovered a backlog of circa 2,000 cases and appointments following the implementation of the Housing Needs Service structure. As the backlog team deal with these cases there are now additional placements in EA.

- 4.57** There is a shortage of suitable Emergency Accommodation to meet the increasing demand, so the Council is relying on expensive commercial hotels and the cost can be expected to increase.

#### Temporary Accommodation

- 4.58** Numbers of households in temporary accommodation are expected to fall slightly and steadily across the year (in contrast to nightly paid accommodation) and is adding to the pressure on emergency accommodation as properties are being moved away from Council access in the private rental sector by landlords who are impacted by the economic situation.

#### Risks

- 4.59** The implementation of the new NEC IT system has experienced a delay in setting up the interfaces between NEC and the Oracle finance system. This has impacted the ability to accurately forecast expenditure and income. The income interface is now posting income from the NEC system into the Oracle finance system, however there are reconciliations still being carried out. There may be a requirement to increase the loss allowance (bad debt provision) at the end of 2023-24 depending on the level of income collection achieved in year.
- 4.60** The Housing Directorate continues to be impacted by the rapidly worsening housing market within London as private sector landlords are increasing rents or leaving the market, and tenants are struggling with cost of living pressures. The challenge for Croydon in dealing with such rapid inflation has multiple strands. There are forecasting difficulties in predicting how much prices are expected to move and at what pace.
- 4.61** There are difficulties in negotiating and approving price rises without losing properties or fuelling the rises further. Regular meetings with neighbouring boroughs are being held to ensure collective agreements are being made with the larger providers of emergency accommodation.
- 4.62** There has been a concerted effort to hold homelessness accommodation costs down across London through partnerships with organisations like Capital Letters and via the agreed Pan-London temporary accommodation rates. The rates can no longer be contained though as demand outweighs available affordable supply. At a Pan London meeting, all boroughs confirmed that they are no longer paying the agreed Pan London rates to ensure they meet their demand challenges. A combination of all these factors has led to an increase in both the average cost of emergency and temporary accommodation that Croydon can secure to meet demand, as well as an increase in the use of nightly paid emergency accommodation to compensate for the loss of some longer-term leased accommodation because of landlords leaving the market.
- 4.63** There is a potential financial risk from the fire at Sycamore House in Thornton Heath depending on the insurance claim settlement not yet finalised. This risk was considered

in closing the 2022-23 accounts and so any difference in the estimated income of 70% of costs from the insurers will either be a charge or a benefit in the 2023-24 accounts.

- 4.64** There is a potential budget pressure, above the currently estimated £1.2m for 2023-24 which has been funded through the economic demand pressures budget transfer agreed in Period 3, in relation to housing benefit subsidies for the Guaranteed Rent Scheme for Care Experienced Young People. The pressure impacts the Housing Directorate as it forms part of the cost of temporary accommodation. The housing benefit subsidy pressure will be monitored throughout the year and mitigated where possible.
- 4.65** There is another potential pressure on the housing budget which is due to temporary accommodation management fees of £40/week/unit paid through Housing Benefit and not recoverable through subsidy from DWP. From 1 April 2017, in line with the government announcement in the 2015 spending review, funding was devolved to Local Authorities through the Homelessness Prevention Grant with the aim of allowing Councils to better manage their temporary accommodation pressures. Following the government change, this cost was not allocated to the Housing Service and has been a pressure within the Resources directorate but in 2023-24 could be a pressure on the Housing budget. This will depend on the outcome of the ongoing Housing Benefit review project work.

#### Opportunities

- 4.66** Housing will continue to ensure that the use of ringfenced Household Support Fund and Rough Sleeping initiative grants is used both within the grant terms and to maximise the mitigating effect on the general fund spend, e.g. by targeting households in rent arrears for support.
- 4.67** DLUHC have in the prior two financial years issued a winter pressures top-up grant amount to the Homelessness Prevention Grant. This has not been confirmed or ruled-out for 2023-24.
- 4.68** The Council is reviewing asylum seeker and refugee grant funding for allocation to related homelessness costs and also allocation from the Contain Outbreak Management Fund (COMF) grant to support homelessness costs relating to the evictions backlog caused by the pausing of eviction court cases during the Covid-19 pandemic.
- 4.69** The restructure for Housing Needs has been implemented and will form the bedrock for process change and a more cohesive journey for a homeless household. The financial benefits are expected to be realised in the longer term from better practice resulting in reduced spend on homelessness.

## RESOURCES

Division	Net Budget (£m)	Actuals to Date (£m)	Forecast (£m)	Forecast Variance (£m)
Commercial Investment	18.6	6.0	16.4	(2.2)
Finance ( <i>refer note 1</i> )	15.7	72.3	15.7	-
Legal Services and Monitoring Officer	2.3	2.5	2.5	0.2
Insurance, Anti-Fraud and Risk	0.6	1.5	0.5	(0.1)
Internal Audit Service	0.4	0.3	0.5	0.1
Pensions and Treasury	0.3	0.7	0.3	-
Central Resources	(2.7)	0.2	(2.7)	-
<b>Total Resources</b>	<b>35.2</b>	<b>83.5</b>	<b>33.2</b>	<b>(2.0)</b>

*Note 1: The actuals to date are high in the Finance Division owing to Housing Benefits expenditure which will be reimbursed through DWP funding.*

**4.70** At period 6, the Resources directorate has a General Fund forecast underspend of £2.0m (5.7%) against a budget of £35.2m.

### Commercial Investment Division – £2.2m forecast underspend

**4.71** The division continues to forecast decreased utilities costs and improved recharging to external bodies. There are also £0.5m of staffing underspends across the division, mainly in Facilities Management owing to periods of staffing vacancy, which are being offset by a forecast decrease in recharges to capital.

### Finance Division – breakeven forecast position

**4.72** There is a breakeven forecast position for the Finance Division. The Payments, Revenues, Benefits and Debt Service is forecasting a staffing underspend owing to staffing vacancies and increased court costs income, but these are being offset by decreased Land Charges income and temporarily increased agency staffing in strategic finance to work through historic accounting issues including the prior years' accounts.

**4.73** A cross Council working group is currently operating to mitigate Housing Benefit (HB) subsidy risks by maximising HB subsidy income claims, increasing collection of HB overpayments and reducing costs. The actuals to date are high in the Division owing to HB expenditure which will be reimbursed through DWP funding.

**4.74** The Finance Division has undergone a restructure of the strategic finance service and will now commence recruitment into roles which are currently covered by agency staffing. The capacity and skills levels required in the strategic finance service have been reviewed and extra funding from growth and/or reserves has been requested for 2024-25.

### Legal Services and Monitoring Officer Division – £0.2m forecast overspend

**4.75** There is a £0.1m forecast underspend in the Monitoring Officer service owing to staff vacancies and an underspend against the members allowances budget.

- 4.76** There is a forecast overspend in Legal Services of £0.3m mainly owing to high levels of agency staffing.
- 4.77** The Legal Services and Monitoring Officer Division is reviewing usage of external legal advice, with a view to increasing the inhouse staffing structure (moving budget from external legal expenditure in directorates) to provide more legal services internally and therefore reduce overall legal expenditure for the Council.

Other Service Areas and Central Resources - breakeven forecast position

- 4.78** There is a £0.1m forecast overspend in Internal Audit expenditure. This is offset by small underspends across Insurance, Anti-Fraud and Risk, Pensions and Treasury, and Central Resources.

Risks

- 4.79** There is a risk in the Commercial Investment Division as work continues to identify the net impact of asset disposals including the full cost of property related expenditure and loss of income streams.
- 4.80** There is a risk in the Finance Division in relation to Housing Benefit subsidies including the potential impact of the roll out of universal credit on the collection of overpayments.

**SUSTAINABLE COMMUNITIES, REGENERATION & ECONOMIC RECOVERY (SCRER)**

Division	Net Budget (£m)	Actuals to Date (£m)	Forecast (£m)	Forecast Variance (£m)
Sustainable Communities	54.1	24.9	54.3	0.2
Culture and Community Safety	9.8	(0.8)	9.0	(0.8)
Planning & Sustainable Regeneration	6.7	(0.1)	7.3	0.6
Central SCRER	-	(1.1)	-	-
<b>Total SCRER</b>	<b>70.6</b>	<b>22.9</b>	<b>70.6</b>	<b>-</b>

- 4.81** At period 6, the SCRER directorate has a General Fund forecast breakeven position against a budget of £70.6m. The main potential risk areas relate to income in the areas of parking, parking enforcement, moving traffic offence and planning.

Sustainable Communities Division - forecast overspend of £0.2m

- 4.82** There is a forecast £0.7m under-achievement in parking, parking enforcement and moving traffic offence income. There is a forecast pressure of £0.4m on the Street Lighting PFI contract due to an increase in the energy unit cost caused by wider inflationary pressures upon energy prices. There is also a forecast pressure of £0.3m for SEND home to school transport due to increased demand. The pressures are

being partially offset through a forecast underspend of £0.9m in staffing owing to periods of vacancy and a £0.3m forecast underspend in waste services owing to reduced level of green and food waste.

#### Culture and Community Safety Division – forecast underspend of £0.8m

- 4.83** The division is forecasting an underspend of £0.8m owing to reduced utility costs in contracts (£0.7m) and periods of staffing vacancy (£0.1m).
- 4.84** In period 6 the Coroner’s Service and Resilience (Emergency Planning) Service budgets of £1.2m are included in this division following the transfer of the services from the Assistant Chief Executive directorate.
- 4.85** The Culture and Community Safety Division leads on the London Borough of Culture 2023 activities, funded through external funding sources. This is a year-long celebration of Croydon’s unique identity, diverse communities and rich heritage, culture and creativity. The programme for “This is Croydon” showcases Croydon to the world. It includes major events with international headliners performing alongside emerging home-grown talent, plus hundreds of cultural activities from our communities.

#### Planning and Sustainable Regeneration Division – forecast overspend of £0.6m

- 4.86** The division is forecasting an income under-achievement of £0.8m owing to lower activity levels to date in planning major applications and planning performance agreements. This is being partially offset by a forecast staffing underspend of £0.2m owing to periods of vacancy in the Growth and Regeneration Team.
- 4.87** The reduction in planning major applications is being experienced across the country and the GLA is reporting the reduction across London. It is these applications which bring in the most significant fees. The reduction in major applications can be attributed to several factors, which include:
- Economic factors such as increased building and material costs and increased interest rates.
  - Uncertainty relating to the emerging Building Safety Bill – impacts on design and when a second staircase is required.
  - Uncertainty in relation to emerging planning legislation. Implementation details are unknown and could be impacted by when the next general election will take place.
- 4.88** Risks
- Demand for parking services has not returned to pre-pandemic levels and this is affecting all areas of parking which includes Automated Number Plate Recognition (ANPR), pay and display and on-street parking.



- Parking Services have had delays in connection with the roll out of new ANPR cameras which affect the income levels within the service.
- The Environment Act 2021 operates as the UK's new framework of environmental protection. Given that the UK has left the EU, new laws that relate to nature protection, water quality, clean air, as well as additional environmental protections that originally came from Brussels, needed to be established. The Act is a vehicle for a number of Department for Environment, Food and Rural Affairs' (Defra) different environmental policies and sets out the legal framework for significant reforms to local authority waste and recycling services, as well as creating new statutory duties for local authorities on nature recovery. The government has stated that additional burdens funding will be provided to local authorities for the new requirements as they come into force, however the Council will need to monitor closely the extra costs involved.
- Waste services are demand led which represents a potential risk to the current forecast. Levels of tonnage are monitored on a monthly basis and the forecast will be updated throughout the year.
- There is a potential risk to new Roads and Street Works Act income owing to delays and disputes with utility companies. Further work is being undertaken to quantify these risks and where possible mitigate the effect.

#### 4.89 Opportunities

- The SCRER directorate is actively pursuing a number of grant applications to further improve the financial position. Currently the Culture and Community Safety division are in the final stages of securing grant funding from Sport England for swimming pool costs.
- There could be further staffing underspends across the directorate depending on the timing, and success, of recruitment into posts.

## CORPORATE ITEMS AND FUNDING

Area of Spend	Net Budget (£m)	Actuals to Date (£m)	Forecast (£m)	Forecast Variance (£m)
Inflation and Economic Demand Pressures	14.2	-	12.0	(2.2)
Risk Contingency Budget	5.0	-	1.5	(3.5)
Transformation Programme	10.0	-	10.0	-
Other corporate items	(91.4)	(26.4)	(91.4)	-
<b>Total Corporate Items and Funding</b>	<b>(62.2)</b>	<b>(26.4)</b>	<b>(67.9)</b>	<b>(5.7)</b>

- 4.90** At period 6, the Corporate directorate has a General Fund forecast underspend of £5.7m (9.2%) against a net budget of (£62.2m). The underspend relates to the economic demand pressures budget offsetting the £2.2m pressure in the Housing directorate and the risk contingency budget offsetting £3.5m of the pressures across the other directorates.
- 4.91** The corporate area holds funding streams such as Council Tax, retained share of Business Rates and Core Grants. The corporate budget also holds the Council-wide risk contingency budget (£5m) and the budgets for borrowing and interest received.
- 4.92** The corporate area funds redundancy, severance and pension strain costs which contribute to achieving General Fund MTFs savings. There may be a pressure in 2023-24 from this area of costs owing to the implementation of staffing savings.
- 4.93** The NJC national negotiations on the 2023-24 pay award for staff are ongoing and the resulting required budget allocation may create a pressure above the central allowance.
- 4.94** There is currently budget of £3.8m held centrally (of the original £5.5m agreed by full Council) for the potential impact of economic demand pressures on Croydon after the allocation of £1.7m budget agreed in Period 3 for Housing Benefit subsidy pressures.
- 4.95** This report is requesting the transfer of £2.2m budget from the Corporate economic demand pressures budget to the Housing directorate to take account of emergency accommodation pressures resulting from evictions (including as courts action case backlogs which were paused during the Covid-19 pandemic) and accelerated Home Office decision making which is increasing the numbers of asylum seekers and refugees requiring housing in the borough. This is just a budget transfer within directorates, not a change to overall budget, and is in line with the intended purpose of the budget agreed at full Council in March 2023.
- 4.96** The corporate area also holds the 2023-24 Transformation budget of £10m, which will fund work carried out in directorates and cross-Council to achieve MTFs savings and improve services for local residents and businesses. The Transformation budget reduces to £5m from 2024-25.
- 4.97** There is £7.3m budget held in Corporate for adjustments to correct General Fund recharge budgets for recharges to the HRA, Public Health, capitalisation of salaries and corporate support (overhead) recharges. This budget will be allocated during 2023-24 as the service level agreements (SLA's) are finalised for HRA and Public Health recharges, and when the review of salary capitalisation and corporate support recharges is finalised.
- 4.98** There is a funding risk in the Collection Fund if cost of living pressures impact the collection of Council Tax and Business Rates income. The impact of the Council Tax increase is partially mitigated through the Council Tax Hardship Fund (supporting low income households that cannot afford to pay their full increase in Council Tax).

**4.99** There is borrowing cost uncertainty from interest rates and the timing of capital receipts from asset disposals (assumed in the MTFS at circa £50m per annum).

### Transformation Programme

**4.100** The Transformation Programme has £14m of resources allocated to it, consisting of £10m base revenue budget and £4m earmarked reserve.

**4.101** In total there is currently £10.7m of the Transformation Programme budget allocated with £3.3m unallocated to date. The Transformation Programme will provide a return on investment through service improvement benefits and the identification and delivery of savings for the medium term financial strategy, providing a significant level of savings towards the £20m per annum savings required from 2025-26 onwards.

### Transformation Programme Allocations

Project	2023-24 Draft Budget Allocation (£m)
Transformation Revenue Budget	10.000
Transformation Reserve Funding	4.000
<b>Total Transformation Funding</b>	<b>14.000</b>
Approach to Strategic Planning and Commissioning	0.290
Parking Policy Review	0.200
Community Hubs Programme	0.250
HR Transformation	0.093
Digital & Resident Access Review/Digital Workforce	0.080
SEND Review	0.240
Passenger/SEND Transport Transformation	0.100
Family Justice Service Review	0.000
S117 Project	0.178
Joint Funding Arrangements	0.110
Sustaining Demand at the Front Door	0.190
Corporate Parenting Transformation	0.743
Dynamic Purchasing System	0.092
Callydown Transformation	0.134
Income & Debt Review	0.050
Outcomes Based Domiciliary Care Model	0.110
Transition Commissioning Care Model	0.082
Croydon Campus	0.250
Customer Access Review	0.200
Building Control Transformation	0.696
Planning & CIL Transformation	0.450
CALAT	0.050
Housing Needs Restructure	0.060
Temporary Accommodation Case Review	0.291
Housing Occupancy Checks	0.291
Rent Accounts and Data Cleanse	0.026
Housing Association Recharges	0.059
Supported Housing Review	0.080
Adult Social Care Transformation	1.100
Review of Social Care Placements	0.461
Reablement & Hospital Discharge	0.000

<b>Project</b>	<b>2023-24 Draft Budget Allocation (£m)</b>
Strategic Operating Model Design Partner for Adult Social Care and Health	1.194
Housing Benefit Subsidy SEA & EA/TA	0.000
PFI Contract Manager	0.000
VCS Review	0.000
Asset Rationalisation	0.124
Business Intelligence Review	0.025
Commercial & Income Opportunities	0.000
Community Equipment Service	0.090
Croydon Museum	0.270
Oracle Improvement Programme	0.915
Transformation PMO	1.100
<b>Total Revenue Budget and Reserves Allocated to Date</b>	<b>10.674</b>
Unallocated To Date	3.326

**4.102** The Transformation Programme published in November 2022 set out £5.9m of project commitments with recognition that further sums were still to be confirmed. Please note that project plans are under development and following review of these project plans the draft budget allocations to projects as listed above could change through the year.

**4.103** The Transformation Board has agreed additional project allocations totalling £4.239m through to September 2023 and these are set out in the table below.

<b>Project Allocations</b>	<b>£m</b>
Business Intelligence Review	0.025
Sustaining demand at the front door	0.080
Callydown transformation	0.134
Review of Social Care Placements	0.456
CALAT (New)	0.050
Strategic operating model design partner for ASCH	1.194
HR Transformation	0.015
Planning & Building Control projects – project delivery support	0.396
Corporate Parenting Transformation (New and subsumes Fostering Transformation Project)	0.650
Community Equipment Service	0.090
Museum Transformation	0.270
Oracle Cloud Improvement (New)	0.915
Asset Rationalisation	0.124
Reablement & Hospital Discharge - transfer to Strategic operating model design partner for ASCH	-0.060
Family Justice Service Review	-0.100
<b>Total of Allocations</b>	<b>4.239</b>

**4.104** The ‘Review of Social Care Placements’ project has secured £600,000 alternative funding from the Market Sustainability Grant thereby reducing the funding required from the Transformation budget. The revenue budget also funds the costs of the transformation Programme Management Office currently estimated at £1.1m.

## Savings

**4.105** The 2023-24 budgets include a challenging new savings target of £33.1m. Progress in achieving savings is being monitored throughout the year. Directorates are identifying any risks to achievement of individual savings and making plans to mitigate these risks where possible or identify alternative savings as required.

**Table showing 2023-24 forecast savings achievement by directorate**

Directorate	2023-24					
	Savings target £'000	Slippage from previous year £'000	Revised Savings target £'000	Forecast savings achievable £'000	Savings slippage £'000	Not yet evidenced or (over delivery) £'000
Adult Social Care & Health	12,243	-	12,243	10,915	-	1,328
Assistant Chief Executive	2,924	-	2,924	1,771	1,153	-
Children, Young People & Education	6,920	490	7,410	5,148	-	2,262
Housing	2,305	-	2,305	1,309	1,099	(103)
Resources	6,347	-	6,347	6,347	-	-
Sustainable Communities (SCRER)	1,859	2,490	4,349	4,124	225	-
Cross-Directorate / Corporate	500	-	500	500	-	-
<b>Total</b>	<b>33,098</b>	<b>2,980</b>	<b>36,078</b>	<b>30,114</b>	<b>2,477</b>	<b>3,487</b>

## Reserves

**4.106** There are no budgeted contributions to, or drawdowns from, the General Fund balances of £27.5m in 2023-24. The current breakeven forecast for 2023-24 maintains this reserve.

General Fund Balances	Forecast (£m)
Balance at 1 April 2023	27.5
Forecast Contribution to/(Drawdown from) Reserves	-
<b>Forecast Balance at 31 March 2024</b>	<b>27.5</b>

**4.107** The General Fund balances serve as a cushion should any overspend materialise by the end of 2023-24. The use of reserves to support the budget is not a permanent solution and reserves must be replenished back to a prudent level in subsequent years if used.

## **Unresolved Issues**

- 4.108** The Council's overall financial position is still subject to a number of unresolved historic legacy issues. The latest position on these was set out in the 22 February 2023 Cabinet report titled 'Revenue Budget and Council Tax Levels 2023-24' which incorporated the findings of the 'Opening the Books' review undertaken in 2022-23. The report stated that a request has also been made of government to provide the Council with a Capitalisation Direction of £161.6m to cover the historic finance issues that have been revealed through the 'Opening the Books' programme.
- 4.109** The Council needs to correct a range of misstatements in its legacy accounts from 2019-20 which are currently still not fully closed. This was more than the £74.6m previously identified in the MTFs Update report to Cabinet in November 2022.
- 4.110** The Council's Provision for Bad Debt was found to be understated by £46m rather than the £20m previously assumed and a prudent decision was made to include the potential £70m gap in the accounts caused by incorrect accounting for Croydon Affordable Homes and Tenures, instead of the £9m previously assumed.
- 4.111** With four years of accounts still open, there remains a risk that further legacy issues will be uncovered. The Capital Programme for 2022-23 included the £161.6m Capitalisation Direction requested, which was in addition to the £25m capitalisation direction previously approved.

## **HOUSING REVENUE ACCOUNT (HRA)**

- 4.112** At period 6, the Housing Revenue Account (HRA) forecast remains at a revenue overspend of £12.0m owing to resolving a backlog of historic legacy repair work, reducing voids and resolving issues experienced nationally including damp and mould and fire safety. The HRA has a reserve of circa £50m as at the end of 2022-23 and this reserve will fund the 2023-24 overspend, however the HRA budget for 2024-25 will need to take account of ongoing pressures and priorities.
- 4.113** At Period 5 we set out how the legacy of repairs, disrepair works and the commissioned works on damp and mould accounts for £8.6m of the pressure against the existing budget. This pressure is a direct result of the significant under-investment over decades in our housing stock which has resulted in the backlogs the teams are now tackling. The implementation of the three new repairs contracts and the commitment to ensuring we are meeting our requirements as a landlord are driving this ongoing pressure. As a result, we will seek to rebase our responsive repairs budget at this mid-point of the budget year to reflect the position. Where underspends in other areas are insufficient to cover the pressures outlined above, we will be required to draw down from the HRA reserves into the revenue budgets.

- 4.114** The 2024-25 budget will require significant work to ensure that we are capturing and managing ongoing pressure areas within the repairs service. Stock conditions surveys have been commissioned to identify the level of major repairs and maintenance to be programmed into the future years' budgets and these capital improvements should reduce the level of responsive repairs over the medium term.
- 4.115** The remaining £3.4m pressure is attributed to disrepair and reflects the volume of historic legacy disrepair cases being cleared and the legal costs and settlements that have been the outcome.

### Repairs

- 4.116** The Period 6 position of £11.96m overspend is made up of £8.6m responsive repairs costs pressure and £3.4m on disrepair costs, legal fees and settlements.
- 4.117** The overspend on responsive repairs is a result of the significant increase in volumes of repairs that have been received from tenants following the Housing Ombudsman encouraging residents to report issues and as a result of untapped demand due to historic legacy issues identified since the implementation of the new contracts in August 2023.
- 4.118** In addition, there has been significant work done to tackle our response to reports of damp and mould, treating the appearances of spores and carrying out works to address the issues. The total number of damp and mould jobs completed so far is 792 (£1.6m) of which 106 jobs (£840k) were high value stage 2 jobs.
- 4.119** The Social Housing Regulation Bill will enable a rigorous new regime that holds all landlords to account for the decency of their homes and the service they provide. This includes changes from 'Awaab's Law' which follows the death of 2 year old Awaab Ishak in 2020 due to damp and mould exposure in his Rochdale home following repair requests and complaints having been repeatedly ignored. Legislation includes provisions which will require the Council to investigate hazards and fix repairs including damp and mould in their properties within strict new time limits or rehouse residents where a home cannot be made safe. The new rules will form part of the tenancy agreement, so residents can hold landlords to account if they fail to provide a 'decent' home.
- 4.120** The tackling of the legacy voids has had a significant impact due to the state of disrepair in these properties and the subsequent lack of asset renewal. 499 voids have been completed so far this year. The backlog and managing the ongoing weekly voids is contributing to the cost pressures.

**4.121** Legal disrepair historic legacy demand continues to be a pressure. Work is ongoing to tackle the circa 550 disrepair cases in our backlog. The service has set a plan to clear the backlog in 18 months. This financial year the team have progressed circa 130 cases to completion, however there are typically 7 new cases per week logged. The latest government £2m advertising campaign directed at residents to encourage the reporting of issues is likely to increase the pressure on this budget.

**4.122** The service has introduced controls to manage, monitor and provide assurance on ongoing responsive repairs costs:

- The NEC system allows us to manage the budget per individual line of activity with a budget set on NEC that cannot be exceeded and no payments can be made without any increase to the budget prior to any new orders being raised. Manager approval is required to increase a budget.
- A Review Panel has been established since September. Any quotes for works over a value of £5,000 must be presented to the panel and approval sought prior to the works order being raised.
- A review and approval from the Housing Directorate Management Team (DMT) will be sought for works on an individual property in excess of £40,000 to allow consideration of value for money and to ensure that there is a link being made to regeneration projects and any other cross-Council projects.

#### Tenancy and Income

**4.123** A breakeven forecast position at period 6 as we continue to work with the NEC implementation team to generate data into our financial system that would allow for reports to be run on actuals to date.

#### Staffing and other

**4.124** A breakeven forecast position at period 6 reflects that additional budget was allocated in 2023-24 to meet known pressures while structural changes are being implemented.



**Table showing the 2023-24 HRA forecast**

Description	Net Budget (£m)	Actuals to Date (£m)	Forecast (£m)	Forecast Variance (£m)
Rental Income	(82.1)	(42.0)	(82.1)	-
Service Charge Income	(4.6)	(2.3)	(4.6)	-
Concorde, Sycamore & Windsor (rental income for Temporary Accommodation provision)	(3.4)	(1.0)	(3.4)	-
Other Income	(6.0)	(1.7)	(6.0)	-
<b>Subtotal Income</b>	<b>(96.1)</b>	<b>(47.0)</b>	<b>(96.1)</b>	-
Housing Capital Charges	40.9	(4.9)	40.9	-
Responsive Repairs & Safety	20.4	20.6	32.4	12.0
Centralised Directorate expenditure	11.3	0.8	11.3	-
Tenancy & Resident Engagement	10.3	2.8	10.3	-
Tenant Support Services	6.7	12.6*	6.7	-
Concorde, Sycamore & Windsor expenditure	3.4	2.1	3.4	-
Asset Planning	1.6	0.8	1.6	-
Capital Delivery (Homes & Schools)	1.5	0.6	1.5	-
<b>Subtotal Expenditure</b>	<b>96.1</b>	<b>35.4</b>	<b>108.1</b>	<b>12.0</b>
<b>Total HRA Net Expenditure</b>	<b>-</b>	<b>(11.6)</b>	<b>12.0</b>	<b>12.0</b>

\* Incorrect mapping from NEC has miscoded Housing Benefits rebates to tenant service charges. The actuals to date reflect the current ledger position but we are aware of the issue, a correction to the mapping has been carried out, and we are working with NEC on a solution to correct the mispostings already in the financial ledger.

**4.125** The main risks within the Housing Revenue Account are:

- NEC system functionality delays:
  - Although the system went live in June 2023, we are yet to use the system to its full capacity including full reporting functionality. The repairs and income forecasting may yet be impacted once the full integration and functionality is available.
- Repairs and maintenance:
  - pressures from the exit of the Axis repairs contract that ended in August 2023.
  - extra expenditure to deal with the backlog of repairs and maintenance.
  - void and disrepair costs carried out by specialist contractors to reduce void losses and minimise future disrepair claims.
  - settlement of disrepair cases and related legal fees, including those relating to Regina Road.
- Tenancy and income:
  - the impact of cost of living pressures on rent collection (including a potential increase in bad debt cost).
  - loss of income owing to void (empty) residential properties.
  - loss of income owing to voids including void garages.

- Recharge review:
  - General Fund services are producing service level agreements (SLA's) to evidence recharges of costs to the HRA, which could result in increased charges to the HRA.

## **Capital Programme and Financial Sustainability**

- 4.126** The Capital strategy and programme was approved by Council in March 2023. This recognised the complex and challenging financial and operational circumstances in which the Council continues to operate. It showed a 2023-24 Capital Programme that is reduced in scale and cost compared to previous years. With circa £1.3bn of General Fund debt and an environment of rising interest rates, the delivery of an effective Asset Management Plan and an ambitious Asset Disposal Strategy, including reducing the number of buildings used by the Council, will be essential to mitigate rising cost pressures, reduce the overall debt burden and help the Council balance its books.
- 4.127** The strategy reflected the progress made to date by the Council to improve the governance and financial management of the Capital Programme following recommendations from the two Reports in the Public Interest (RIPI). The Council understands that the initial improvements put in place are the foundations of good practice and is focused on building upon these over the coming months and years.
- 4.128** Concerns were highlighted regarding value for money and investment decisions as the Council has incurred debt in investing in assets which have not retained their value and, therefore, the level of debt exceeds the value of the investment assets. In the three years between 2017-20 the Council borrowed £545m with no focused debt management plan in place. The majority of this debt comprises short-term borrowings which has left the Council exposed to current higher interest rates. The debt is anticipated to be refinanced from 2023 onwards and therefore likely to drive significant increases in annual repayment levels.
- 4.129** An estimated circa £66m is required to service this debt from the General Fund which represents around 19% of the Council's net budget. The Council's historic legacy borrowing and debt burden has, therefore, become critical to the sustainability of the Council's revenue budget.
- 4.130** The Council has concluded that the expenditure it is anticipated to incur in each year of the period of 2023-27 is likely to exceed the financial resources available and that reaching financial and operational sustainability without further government assistance will not be possible. The Council's 2023-24 budget required capitalisation directions from government of £63m to balance and the Medium Term Financial Strategy (MTFS) demonstrated an ongoing estimated budget gap of £38m per annum from 2024-25.

- 4.131** Dialogue with the Department for Levelling Up, Housing and Communities (DLUHC) continues, and the Council is seeking further financial support from Government in regards to its level of historic legacy indebtedness and balancing the budget to ensure it can deliver sustainable local government services. It must be noted that annual capitalisation directions (transferring revenue cost into capital cost which must be funded over 20 years) increases the Council's debt burden. Also capital receipts from the Asset Disposal Strategy are being used to fund the ongoing capitalisation directions and therefore the Council is not able to reduce its existing historic debt (a situation of "treading water").
- 4.132** Therefore, debt write-off is the Council's preferred option and a request was made to DLUHC in January 2023 for government funding to write-off £540m of the Council's General Fund debt. DLUHC has subsequently asked the Council to propose a wider range of options, and these are currently being worked on.

### General Fund Capital Programme

- 4.133** At period 6, the General Fund capital programme has a forecast underspend of £17.6m against the revised budget of £144.7m.

**Table showing 2023-24 General Fund Capital Programme budget and forecast**

<b>General Fund Capital Scheme</b>	<b>2023-24 Revised Budget</b>	<b>2023-24 Actuals to Date</b>	<b>2023-24 Forecast</b>	<b>2023-24 Forecast Variance</b>
	<b>(£000's)</b>	<b>(£000's)</b>	<b>(£000's)</b>	<b>(£000's)</b>
Bereavement Services	127	(45)	127	-
My Resources Interface Enhancement	252	58	169	(83)
ICT	-	1	-	-
Network Refresh	348	11	152	(196)
Tech Refresh	132	304	272	140
Geographical Information Systems	312	-	312	-
Laptop Refresh	3,371	-	947	(2,424)
Cloud and DR	331	26	174	(157)
People ICT	-	3	-	-
Synergy Education System	1,045	8	723	(322)
NEC Housing System	2,725	2	2,234	(491)
Uniform ICT Upgrade	56	-	56	-
<b>Subtotal Assistant Chief Executive</b>	<b>8,699</b>	<b>368</b>	<b>5,166</b>	<b>(3,533)</b>
Education - Fire Safety	924	4	450	(474)
Education - Fixed Term Expansions	2,865	180	225	(2,640)
Education - Major Maintenance	5,866	3,031	3,321	(2,545)
Education - Miscellaneous	100	142	100	-
Education - Permanent Expansion	297	-	297	-
Education - SEN	6,289	507	6,289	-

<b>General Fund Capital Scheme</b>	<b>2023-24 Revised Budget</b>	<b>2023-24 Actuals to Date</b>	<b>2023-24 Forecast</b>	<b>2023-24 Forecast Variance</b>
	<b>(£000's)</b>	<b>(£000's)</b>	<b>(£000's)</b>	<b>(£000's)</b>
Children Home DFE	329	-	329	-
<b>Subtotal CYPE</b>	<b>16,670</b>	<b>3,864</b>	<b>11,011</b>	<b>(5,659)</b>
Disabled Facilities Grant	4,710	931	3,000	(1,710)
Empty Homes Grants	400	33	200	(200)
<b>Subtotal Housing</b>	<b>5,110</b>	<b>964</b>	<b>3,200</b>	<b>(1,910)</b>
Asset Strategy - Stubbs Mead	500	-	500	-
Asset Strategy Programme	240	-	240	-
Clocktower Chillers	382	-	382	-
Corporate Property Maintenance Programme	2,780	963	2,780	-
Fairfield Halls - Council	625	3	625	-
Former New Addington Leisure Centre	600	-	600	-
Fieldway Cluster (Timebridge Community Centre)	248	-	248	-
Contingency	1,000	-	1,000	-
<b>Subtotal Resources</b>	<b>6,375</b>	<b>966</b>	<b>6,375</b>	-
Allotments	-	3	3	3
Growth Zone	15,844	168	15,844	-
Grounds Maintenance Insourced Equipment	1,200	-	1,200	-
Highways	8,260	3,513	8,260	-
Highways - flood water management	404	303	404	-
Highways - bridges and highways structures	1,641	956	1,641	-
Highways - Tree works	50	6	50	-
Local Authority Tree Fund	83	122	83	-
Trees Sponsorship	42	10	42	-
Leisure centres equipment contractual agreement	139	(410)	139	-
Tennis Court Upgrade	75	-	75	-
Leisure Equipment Upgrade	148	-	148	-
Libraries Investment - General	1,031	1	224	(807)
Central Library Digital Discovery Zone	175	-	-	(175)
New Investment to South Norwood Library	520	-	-	(520)
Parking	1,843	93	1,843	-
Cashless Pay & Display	1,463	-	485	(978)
Play Equipment	17	161	161	144
Safety - digital upgrade of CCTV	1,540	(11)	1,540	-
Highway Road Markings/Signs (Refresh)	137	-	137	-
South Norwood Good Growth	773	11	511	(262)
Kenley Good Growth	394	(147)	394	-
Sustainability Programme	1,100	-	300	(800)
LIP	4,568	472	1,421	(3,147)
Cycle Parking	106	-	135	29

<b>General Fund Capital Scheme</b>	<b>2023-24 Revised Budget</b>	<b>2023-24 Actuals to Date</b>	<b>2023-24 Forecast</b>	<b>2023-24 Forecast Variance</b>
	<b>(£000's)</b>	<b>(£000's)</b>	<b>(£000's)</b>	<b>(£000's)</b>
Electric Vehicle Charging Point (EVCP)	3	-	43	40
Park Asset Management	700	-	700	-
Waste and Recycling Investment	2,558	-	2,558	-
<b>Subtotal SCRER</b>	<b>44,814</b>	<b>5,251</b>	<b>38,341</b>	<b>(6,473)</b>
Capitalisation Direction	63,000	-	63,000	-
<b>Subtotal Corporate Items and Funding</b>	<b>63,000</b>	<b>-</b>	<b>63,000</b>	<b>-</b>
<b>TOTAL GENERAL FUND CAPITAL</b>	<b>144,668</b>	<b>11,413</b>	<b>127,093</b>	<b>(17,575)</b>

**Table showing General Fund Capital Programme Financing**

<b>General Fund Capital Financing</b>	<b>2023-24 Revised Budget</b>	<b>2023-24 Forecast</b>	<b>2023-24 Forecast Variance</b>
	<b>(£000's)</b>	<b>(£000's)</b>	<b>(£000's)</b>
Community Infrastructure Levy (CIL)	6,600	6,600	-
CIL Local Meaningful Proportion (LMP)	3,084	1,477	(1,607)
Section 106	1,190	262	(928)
Grants & Other Contributions	25,430	16,399	(9,031)
Growth Zone	15,844	15,844	-
HRA Contributions	1,772	1,452	(320)
Capital Receipts	45,000	45,000	-
Borrowing	45,749	40,059	(5,689)
<b>Total General Fund Financing</b>	<b>144,668</b>	<b>127,093</b>	<b>(17,575)</b>

**4.134** The extra forecast cost of the play equipment, cycle parking projects and electric vehicle charging points are expected to be funded through the application of Section 106 funding.

### **HRA Capital Programme**

**4.135** At period 6, the HRA capital programme has a forecast overspend of £5.704m (17%) against the revised budget of £33.248m. The HRA has a reserve of circa £50m as at the end of 2022-23 and this reserve will likely be the source of financing the 2023-24 capital overspend.

The HRA budget for 2024-25 and the HRA business plan will need to take account of ongoing pressures and priorities. Stock conditions surveys have been commissioned to identify the level of historic legacy major repairs and maintenance to be programmed into the future years' budgets and these capital improvements should reduce the level of responsive repairs over the medium to long term.

Spend on damp and mould related repairs are in the early stages and are unbudgeted and will largely appear as a pressure in the capital budget as many of the works are for substantial amounts and amount to significant property improvements.

Similarly, there are works underway due to historic legacy legal disrepair and void cases where significant updating to properties is resulting in unbudgeted capitalisation of repairs spend.

**Table showing 2023-24 HRA Capital Programme budget and forecast**

<b>HRA Capital Scheme</b>	<b>2023-24 Revised Budget</b>	<b>2023-24 Actuals to Date</b>	<b>2023-24 Forecast</b>	<b>2023-24 Forecast Variance</b>
	<b>(£000's)</b>	<b>(£000's)</b>	<b>(£000's)</b>	<b>(£000's)</b>
Major Repairs and Improvements Programme	31,476	3,133	37,180	5,704
NEC Housing System	1,772	-	1,772	-
<b>Total HRA Capital</b>	<b>33,248</b>	<b>3,133</b>	<b>38,952</b>	<b>5,704</b>

### **HRA Capital Programme Financing**

<b>HRA Capital Financing</b>	<b>2023-24 Revised Budget</b>	<b>2023-24 Forecast</b>	<b>2023-24 Forecast Variance</b>
	<b>(£000's)</b>	<b>(£000's)</b>	<b>(£000's)</b>
Major Repairs Reserve (MRR)	16,082	16,082	-
Revenue	13,900	13,900	-
Other Reserves	1,148	6,852	5,704
Right To Buy (RTB) Receipts	2,118	2,118	-
<b>Total HRA Capital Financing</b>	<b>33,248</b>	<b>38,952</b>	<b>5,704</b>

**4.136** It is currently assumed that the forecast overspend in the Major Repairs and Improvements Programme will be financed through HRA reserves, however the source of HRA financing is still to be finalised.

## **5 ALTERNATIVE OPTIONS CONSIDERED**

5.1 None.

## **6 CONSULTATION**

6.1 None.

## **7. CONTRIBUTION TO COUNCIL PRIORITIES**

- 7.1** The monthly financial performance report supports the Mayor's Business Plan 2022-2026 objective one "The council balances its books, listens to residents and delivers good sustainable services".

## **8. IMPLICATIONS**

### **8.1 FINANCIAL IMPLICATIONS**

- 8.1.1** Finance comments have been provided throughout this report.
- 8.1.2** The Council continues to operate with internal spending controls to ensure that tight financial control and assurance oversight are maintained. A new financial management culture is being implemented across the organisation through increased communication on financial issues and training for budget managers.
- 8.1.3** The Council currently has a General Fund Reserve of £27.5m which serves as a cushion should any overspend materialise by the end of 2023-24. The use of reserves to support the budget is not a permanent solution and reserves must be replenished back to a prudent level in subsequent years if used.
- 8.1.4** The Council's historic legacy borrowing and debt burden continues to be critical to the sustainability of the Council's revenue budget. Dialogue with the Department for Levelling Up, Housing and Communities (DLUHC) continues, and the Council is seeking further financial support from Government in regards to its level of indebtedness and balancing the budget to ensure it can deliver sustainable local government services.

Comments approved by Allister Bannin, Director of Finance (Deputy s151 Officer).

### **8.2 LEGAL IMPLICATIONS**

- 8.2.1** The Council is under a statutory duty to ensure that it maintains a balanced budget and to take any remedial action as required in year.
- 8.2.2** Section 28 of the Local Government Act 2003 provides that the Council is under a statutory duty to periodically conduct a budget monitoring exercise of its expenditure and income against the budget calculations during the financial year. If the monitoring establishes that the budgetary situation has deteriorated, the Council must take such remedial action as it considers necessary to deal with any projected overspends. This could include action to reduce spending, income generation or other measures to bring budget pressures under control for the rest of the year. The Council must act reasonably and in accordance with its statutory

duties and responsibilities when taking the necessary action to reduce the overspend.

- 8.2.3** In addition, the Council is required by section 151 of the Local Government Act 1972 to make arrangements for the proper administration of its financial affairs. The Council's Chief Finance Officer has established financial procedures to ensure the Council's proper financial administration. These include procedures for budgetary control. It is consistent with these arrangements for Cabinet to receive information about the revenue and capital budgets as set out in this report.
- 8.2.4** The monitoring of financial information is also a significant contributor to meeting the Council's Best Value legal duty. The Council as a best value authority "must make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness" (Section 3 Local Government Act (LGA) 1999). The Best Value Duty applies to all functions of the Council including delivering and setting a balanced budget, providing statutory services such as adult social care and children's services and securing value for money in all spending decisions.
- 8.2.5** The Council is the subject of Directions from the Secretary of State requiring the Council to, amongst others, improve on the management of its finances. This report serves to ensure the Council is effectively monitoring and managing its budgetary allocations in accordance with its Best Value Duty.

Comments approved by Sandra Herbert, Head of Litigation and Corporate Law on behalf of the Director of Legal Services and Monitoring Officer, 2/11/2023.

### **8.3 HUMAN RESOURCES IMPLICATIONS**

- 8.3.1** There are no immediate workforce implications arising from the content of this report, albeit there is potential for a number of the proposals to have an impact on staffing. Any mitigation of budget implications that may have direct effect on staffing will be managed in accordance with relevant human resources policies and, where necessary, consultation with the recognised trade unions.
- 8.3.2** The Council is aware that many staff may also be impacted by the increase in cost of living. Many staff are also Croydon residents and may seek support from the Council including via the cost of living hub on the intranet. The Council offers support through the Employee Assistance Programme (EAP) and staff may seek help via and be signposted to the EAP, the Guardians' programme, and other appropriate sources of assistance and advice on the Council's intranet, including the trade unions.

Comments approved by: Dean Shoesmith, Chief People Officer, 31/10/2023.



## **8.4 EQUALITIES IMPLICATIONS**

**8.4.1** The Council has a statutory duty to comply with the public sector equality duty set out in section 149 of the Equality Act 2010. The Council must therefore have due regard to the need to:

- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act.
- advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it.
- foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

**8.4.2** In setting the Council's budget for 2023-2024, all savings proposals must complete an Equality Impact Assessment. As Officers deliver against the approved budget, including the savings within it, they will continue to monitor for any unanticipated equality impacts. If any impacts arise, officers will offer mitigation to minimise any unintended impact.

**8.4.3** This report sets out a number of proposals that will change the services and provisions we provide for residents across Croydon. These proposals are subject to further work decisions.

**8.4.4** The Council must, therefore, ensure that we have considered any equality implications. The Council has an established Equality Impact Assessment [EqIA] process, with clear guidance, templates and training for managers to use whenever new policies or services changes are being considered. This approach ensures that proposals are checked in relation to the impact on people with protected characteristics under Equality Act 2010.

**8.4.5** Assessing the impact of proposed changes to policies, procedures, services and organisational change is not just something the law requires; it is a positive opportunity for the council to ensure it makes better decisions, based on robust evidence.

**8.4.6** Our approach is to ensure the equality impact assessments are data led, using user information, demographic data and forecasts, as well as service specific data and national evidence to fully understand the impact of each savings proposal. This enables the Council to have proper regard to its statutory equality duties.

**8.4.7** We have a large number of vulnerable children and asylum seekers who are in need of our services. We have also been faced with the rise of costs of the provision of adult social care, which has been exasperated following the pandemic. Alongside this our residents are dealing with the increased cost of living. We have supported residents by providing mitigation for changes where possible and

signposting to other support organisations in the borough who can provide support. We will continue to seek mitigation during the equality analysis process where possible.

**8.4.8** Our initial data suggests that residents across all equality characteristics may be affected by changes. National and local data highlights that this may have a greater impact on race, disabilities, sex, pregnancy and maternity and age. We will continue to assess the impact and strive to improve our evidence and data collection, to enable us to make informed decisions.

**8.4.9** Where consultations take place, we will ensure that we make it accessible for all characteristics including those with disabilities including neurodiversity by ensuring that we adopt Disability standards in our consultation platform. Notwithstanding those residents who are digitally excluded. We will also consult using plain English to support our residents who do not have English as a first language.

**8.4.10** With regard to potential staff redundancies, as a diverse borough we will undertake equality analysis and seek mitigation for staff by offering redeployment and employability support. We will also assess the impact of job losses on protected characteristics. We will also ensure that disabled staff are treated more favourably during restructure in that they will be required to meet the minimum standard prior to being offered an interview.

**8.4.11** Research from existing EQIAs identifies that rising costs impact on some Disabled groups, communities from the Global Majority, African, Asian, African Caribbean households, young people, some people aged 15 – 64 and some people in the pregnancy/maternity characteristic. Research also indicates that there is an intersectional impact on young people from the Global Majority and both Disabled and Dual Heritage communities. Deprivation in borough is largely focused in the north and the east where the Global Majority of residents from the African, African Caribbean and Asian communities reside.

Comments approved by Naseer Ahmed for Equalities Programme Manager, 31/10/2023.

## **9. APPENDICES**

**9.1** None.

## **10. BACKGROUND DOCUMENTS**

**10.1** None.

## LONDON BOROUGH OF CROYDON

<b>REPORT:</b>	<b>Scrutiny &amp; Overview Committee</b>	
<b>DATE OF DECISION</b>	<b>21 November 2023</b>	
<b>REPORT TITLE:</b>	<b>Capital Programme and Capital Strategy 2023-29</b>	
<b>CORPORATE DIRECTOR</b>	<b>Jane West, Corporate Director Of Resources And S151 Officer</b>	
<b>LEAD OFFICER:</b>	<b>Allister Bannin, Director of Finance (Deputy S151)</b>	
<b>LEAD MEMBER:</b>	<b>Councillor Jason Cummings, Cabinet Member For Finance</b>	
<b>AUTHORITY TO TAKE DECISION:</b>	The attached report was considered by the Mayor at the Cabinet meeting on 6 December 2023. The report has been included on this agenda as part of the Scrutiny & Overview Committee's scrutiny of the 2024-25 Budget.	
<b>CONTAINS EXEMPT INFORMATION?</b>	No	Public
<b>WARDS AFFECTED:</b>	All	

### 1. CAPITAL PROGRAMME AND CAPITAL STRATEGY 2023-29

- 1.1. Attached at Appendix A to this cover report is a report considered by the Mayor at the Cabinet meeting on 6 December 2023 on the Capital Programme and Capital Strategy for 2023-29.
- 1.2. This report has been included on the agenda to give the Scrutiny & Overview Committee the opportunity to review the Capital Programme and the Capital Strategy as part of the budget scrutiny process.

### 2. RECOMMENDATIONS

- 2.1. The Committee is asked to: -
  1. Review the information provided in the report on Capital Programme and Capital Strategy 2023-29 and
  2. Decide whether there are any concerns or recommendation to reflect in the Committee's report on 2024-25 Budget.

#### CONTACT OFFICER:

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**Appendix A: Cabinet Report – Capital Programme and Capital Strategy 2023-29**

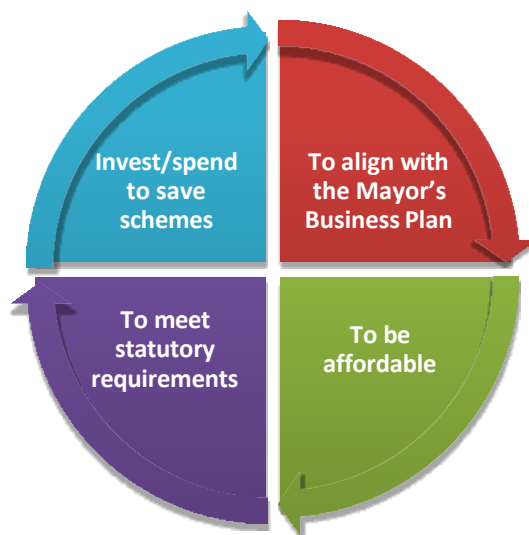
# LONDON BOROUGH OF CROYDON

<b>REPORT:</b>	<b>Cabinet</b>	
<b>DATE OF DECISION</b>	<b>6 December 2023</b>	
<b>REPORT TITLE:</b>	<b>Capital Programme and Capital Strategy 2023-29</b>	
<b>CORPORATE DIRECTOR</b>	<b>Jane West Corporate Director of Resources (Section 151 Officer)</b>	
<b>LEAD OFFICER:</b>	<b>Allister Bannin, Director of Finance (Deputy S151)</b>	
<b>LEAD MEMBER:</b>	<b>Cllr Jason Cummings, Cabinet Member for Finance</b>	
<b>DECISION TAKER:</b>	<b>Executive Mayor in Cabinet</b>	
<b>KEY DECISION?</b>	<b>Yes</b>	<p style="text-align: right;"><b>Reference number: 7023EM</b></p> <p style="text-align: right;"><b>REASON:</b></p> <p style="text-align: center;">Key Decision – Decision incurs expenditure, or makes savings, of more than £1,000,000 or such smaller sum which the decision-taker considers is significant having regard to the Council’s budget for the service or function to which the decision relates</p> <p style="text-align: right;">and</p> <p style="text-align: center;">Key Decision – Decision significantly impacts on communities living or working in an area comprising two or more Wards</p>
<b>CONTAINS EXEMPT INFORMATION?</b>	<b>No</b>	<b>Public Grounds for the exemption: N/A</b>
<b>WARDS AFFECTED:</b>	<b>All</b>	

## 1 SUMMARY OF REPORT

- 1.1** This report sets out the updated Capital Programme for 2023-29 for the Council’s General Fund and the Housing Revenue Account (HRA) with a forecast of resources available over that period. A specific update of the 2023-24 programme including the forecast and variance as at Period 6 is also provided.
- 1.2** The Capital Programme sets out the strategic direction for Croydon’s capital management and investment plans, as detailed in Appendix A, and is an integral part of the medium to long term financial and service planning and budget setting process. Capital investment impacts the prudential indicators which are required under the 2020 Prudential Code and they will be included in the Treasury Management Strategy report to Cabinet in early 2024.

- 1.3** The Council continues to deliver significant capital investment across the borough which will provide improved facilities and infrastructure, whilst ensuring the impact on debt costs within the revenue budget is managed.
- 1.4** Croydon's aim is to ensure the Capital Programme delivers value for money and therefore, the drivers are:



## **2 RECOMMENDATIONS**

For the reasons set out in the report and its appendices, the Executive Mayor in Cabinet is recommended to approve and to recommend the following to Full Council:

- 2.1** Approve the Council's 2023-29 General Fund Capital Programme which includes planned expenditure of £486.53m (including capitalisation directions) across the six years.
- 2.2** Approve the Council incurring nil borrowing for 2023-24, with borrowing projected of £28.38m in 2024-25 and £175.17m over the four years after 2024-25. The cost of this borrowing will be factored into the Council's Medium Term Financial Plan for final agreement at Full Council resulting in 2024-25 total interest charge and Minimum Revenue Provision of £72.5m.
- 2.3** Approve the Council 2024-25 Housing Revenue Account (HRA) Capital Programme with a total investment planned of £57.26m with borrowing of £24.80m.
- 2.4** Approve an increase to the 2023-24 HRA capital budget from £33.248m to £37.162m, owing to increased major repairs and improvements, with this £3.914m increase funded by HRA reserves.

- 2.5** Approve the Council's Capital Strategy, as detailed within Appendix A of this report.
- 2.6** Note the Council's historic legacy borrowing and debt burden continues to be critical to the sustainability of the Council's revenue budget. Dialogue with the Department for Levelling Up, Housing and Communities (DLUHC) continues, and the Council is seeking further financial support from Government in regards to its level of indebtedness and balancing the budget to ensure it can deliver sustainable local government services.

### **3 REASONS FOR RECOMMENDATIONS**

- 3.1** The Executive Mayor in Cabinet and Full Council are required to approve the Council's Capital Programme under the Council's Constitution and all expenditure of £1m requires Cabinet approval for capital spend under the Council's Scheme of Delegation.

### **4 BACKGROUND AND DETAILS**

- 4.1** The General Fund Capital Programme has spent £264.84m in the two years 2021-23 (including £100.6m for Capitalisation Direction) of which over £53.43m in borrowing has been incurred to finance the spend.
- 4.2** The Council's key objectives are set out in the Mayor's Business Plan 2022-26 which can be found on the Council's website under the following link:

<https://democracy.croydon.gov.uk/documents/s41649/6a%20Appendix%20-%20Executive%20Mayors%20Business%20Plan%20FINAL.pdf>

These key objectives comprise:

1. The council balances its books, listens to residents, and delivers good, sustainable services.
  2. Croydon is a place of opportunity for business, earning and learning.
  3. Children and young people in Croydon have the chance to thrive, learn and fulfil their potential.
  4. Croydon is a cleaner, safer, and healthier place, a borough we're proud to call home.
  5. People can lead healthier and independent lives for longer.
- 4.3** Capital investment should evidence how it will support the priorities and principles set out in Business Plan along with individual directorate strategies. New bids to the Capital Programme have been assessed against the Council's objectives and the other Capital Strategy drivers outlined within Appendix A as part of the Capital budget setting process.

## Capital Governance Arrangements

- 4.4** The Council has an established governance arrangement embedded within its current Constitution in Part 4C - Budget and Policy Framework Procedure Rules. The Executive is responsible for the preparation of proposed plans, strategies or budgets that form part of the Budget and Policy Framework.
- 4.5** Just in the same manner as for the Revenue Budget, the Capital Budgets under Part 4C require Full Council approval. Part 4H – Financial Regulations provide the governance framework for managing the Council’s financial affairs. They apply to all Members, Officers of the Council and anyone acting on its behalf. It is likely to be considered a disciplinary offence to breach these Financial Regulations and procedures.
- 4.6** The Regulations apply to capital budgets and the Chief Financial Officer is responsible for ensuring that a capital programme is set annually along with financial management process to enable capital budgets to be monitored effectively. The Council has reported the 2023-24 capital programme as part of the monthly Financial Performance reports to Cabinet.
- 4.7** To strengthen the scrutiny and review of Capital delivery and progress against budget, the Council established a Capital Internal Control Board which meets monthly and consists of key Officers from across the expert areas and services. Whilst the Capital Board is not a formal arrangement within the Constitution, it forms a key part of the improvements that have been made to capital management within the Council.
- 4.8** The Capital Board provides the added review and scrutiny role on delivery of the capital programme along with submission of new bids. The Board acts as a key gateway to support the Corporate Management Team and the Executive Mayor in making informed decisions whilst ensuring risks are identified and managed.



## Capital Spend Key Principles

### **4.9** Consideration should be given to the following key principles before submitting a capital bid:

- Spend included in business cases must conform to the definition of capital expenditure i.e., “the purchase or enhancement of assets where the benefits last longer than the year of expenditure”. Croydon applies a de-minimis level of £10k meaning that anything below this value individually is classed and treated as revenue.
- Given the Council’s challenging financial position, projects coming forward that require Croydon to borrow funding should be kept to a bare minimum.
- Feasibility/planning costs must be met from a revenue budget until approval to spend has been agreed through the relevant route, these should therefore be built into the revenue budget and be considered as part of the budget build process.
- Ongoing revenue implications must be included within business cases and identified as pressures in the revenue budget.
- Realistic profiling of budgets must be provided from the outset. Without this, the limited funding available could be assigned to a project which is delayed, preventing an alternative but more viable project from proceeding. In many cases grants and external funding are time limited and delays in the project could lead to losing precious external funds.
- Where the Council is required to provide match funding in order to receive external funding, consideration must be given to Council’s objectives. Is the project sufficiently aligned to meeting the Council’s strategic outcomes to warrant the match funding? The Council has identified sufficient resources to match fund these projects? Consideration must also be given to grant or external funding conditions and officer time and cost it will take to comply.
- Maximise use of existing assets where it is cost effective to do so. Look for full occupancy of the asset in terms of space and length of time the asset is in use. This could mean looking for synergies with other organisations (for example, the One Public Estate programme with key partners).

- Longevity/flexibility of asset – consider how the asset will conform with longer term service delivery plans. Has flexibility of the use of the asset been considered?
- Officers and Members must not commit funds until projects have been through the correct governance procedure.
- Robust financial, legal, HR, equalities and other related impact assessments are needed for the Council’s investment decisions.
- All schemes must pass through the Capital Board for necessary scrutiny and approval to the next stage. This ensures each project receives a review to assess wider Council implications and to test all relevant matters are discussed and best practice is shared.

### Capital Expenditure

- 4.10** The Council will ensure that appropriate capital budget is allocated on a risk assessed approach, to meet statutory requirements, such as basic need, health and safety, disability discrimination act (DDA) and other legal requirements as directed by Government. Nonetheless, just because there is a statutory requirement, capital bids will still need to explore alternative options to satisfy the affordability requirement. This will need to include proactively seeking external funding, such as grants or alternative contributions to finance capital spend.
- 4.11** Slippage from 2022-23 into 2023-24 has been reviewed and approved by the Executive Mayor in Cabinet through monthly financial performance reports to Cabinet. The review ensured that the Council only carries out schemes that are value for money and meet the Council’s priorities in line with the Mayor’s Business Plan.
- 4.12** The Council is projecting to spend £126.09m in 2023-24 and is expecting to spend £359.46m in 2024-29. The table below provides a summary level breakdown of spend per directorate with scheme detail provided in Appendix B of this report. Services have reviewed the profiling of their capital projects across 2023-24 and future years and this is reflected in the table below and Appendix B.

**Table showing General Fund capital programme estimates**

Directorate	2023-24 Budget	Forecast	Variance		2024-25	2025-26	2026-27	2027-28	2028-29
	£000's	£000's	£000's		£000's	£000's	£000's	£000's	£'000
ASSISTANT CHIEF EXECUTIVE	5,070	5,166	96		6,292	33			
CHILDREN, YOUNG PEOPLE AND EDUCATION	329	329	0						
HOUSING	3,400	3,200	(200)		3,335	3,335	3,335	3,335	3,335
RESOURCES	12,001	17,057	5,056		11,643	9,037	8,587	5,689	3,000
SUSTAINABLE COMMUNITIES, REGEN & ECONOMIC RECOVERY	43,271	37,335	(5,936)		26,710	23,993	20,293	18,716	18,791
CORPORATE	63,000	63,000	0		38,000	38,000	38,000	38,000	38,000
<b>Total General Fund Capital Programme</b>	<b>127,071</b>	<b>126,087</b>	<b>(984)</b>		<b>85,980</b>	<b>74,398</b>	<b>70,215</b>	<b>65,740</b>	<b>63,126</b>

*Please note that the Education capital delivery team has moved into the Commercial Investment and Capital Division in the Resources Directorate, so the Education capital schemes are now shown in Resources rather than the Children, Young People and Education Directorate.*

- 4.13** Capitalisation directions contribute significantly to the Capital Programme. These have been included as a worst case scenario in future years in case dialogue with DLUHC does not result in a financial solution to the historic legacy debt issues of the Council. However, it needs to be noted that capitalisation of revenue spend increases the cost of borrowing in following years and is not a solution that would support the Council in becoming financially sustainable. The table above includes previously approved projects along with new bids requested by directorates for current and future years.
- 4.14** The Capital Programme focuses on repairs and maintenance spend to ensure the Council's assets are maintained to decent standards and so they continue to perform in the delivery of the Council services to residents.

- 4.15** A Parks stock condition survey has been commissioned and the report is expected in December 2023. Growth above the current capital budget of £1m per annum for Park Asset Management may be required to meet health and safety requirements. Financing for any growth would be sought first from s106 or CIL before consideration of borrowing.
- 4.16** The Council has been successful in gaining £305k funding from the Lottery Fund for capital improvements at Ashburton Park. Therefore the Ashburton Park Heritage Fund project has been added into the capital programme in 2023-24.
- 4.17** Within the Capital Programme the Council is also committing significant monies towards investing in various information technology and property assets so that it leads to an improved service provision whilst ensuring a more cost-effective delivery of services. The Council is carrying out a review of the Oracle financial IT system utilising transformation funding and it should be noted that this is not currently in the programme but a proposal for inclusion in the capital programme will come forward once the due diligence is completed identifying what is required.
- 4.18** The Croydon Digital Service is carrying out market testing to check purchase and lease options for a refresh of end user devices (laptops, tablets, etc). The result of this value for money (VFM) assessment and analysis may change the level and timing of capital and/or revenue budgets to be considered for approval as part of the MTF5 in February 2024.
- 4.19** The Council may need to contribute towards improvements for mortuary services in the borough. This could include contributing towards a new building. Croydon public mortuary is used for the reception and storage of bodies of those who have died in the borough. The service is run under the jurisdiction of HM Coroner and we handle deaths that have been referred to the coroner or where a death certificate cannot be issued.
- 4.20** The Council's ambition to protect educational infrastructure and improve pupil attainment to support the local economy form a large proportion of the capital programme. A total of £21.83m over 4 years is provided for upgrading and expanding schools' infrastructure. This includes the vital investment in Special Education Need schools to ensure children and their parents have Council support, a key pledge within the Mayor's Business Plan.
- 4.21** A total of £76.41m over 5 years is earmarked to be spent on the Borough's infrastructure ranging from highway maintenance to tree works and working with TfL to deliver the Local Implementation Plan. This investment is important to support the ambition of Croydon becoming a cleaner, safer and healthier place.

- 4.22** The General Fund capital programme includes the addition of £543k in 2024-25 for the Public Switched Telephone Network Digital Migration Phase 1 project responding to the national analogue to digital telephone network switchover. By 2025, Openreach will have phased out all copper analogue telephone lines in favour of optical fibre networks and therefore, phone lines in buildings need to be updated. This phase 1 work, financed through borrowing, will identify the full level of works involved and further General Fund capital budget financed by borrowing is likely to be required.
- 4.23** Similarly the phase 1 work will identify the requirement for the HRA capital programme, with a high level of works expected for digital migration of elevator alarms. As part of the Remote Alarm on Passenger and Goods Passenger Lifts Standards EN 81-28 (2003), all lifts in the UK are required to have an emergency alarm that was traditionally connected to a rescue service via telephone. With the analogue to digital switchover, lift owners must now manage the transition of their emergency alarms from analogue phone lines to other digital alternatives.

#### Capitalisation Direction

- 4.24** The Council's Medium Term Financial Strategy includes the provision of capitalisation direction in future years from government to support the budget gap within the General Fund Revenue Account. This is included as a worst case scenario while the Council continues dialogue with DLUHC to find an alternative solution to resolve the cost of borrowing relating to historic legacy debt.
- 4.25** Capitalisation direction allows local authorities to charge its revenue expenditure to capital monies and hence pay for revenue costs using capital funds. Capital funds that can be applied include capital receipts and borrowing and it will be up to the Council to identify the best financing source at year end.
- 4.26** The capitalisation direction is a relaxation of the accounting convention that ensures that revenue costs should be met from revenue resources only and that councils should not "borrow" or use capital funds to fund revenue expenditure. This does mean that if the Council chooses to borrow to fund its direction, relevant interest costs will be charged to the Council's revenue account along with additional minimum revenue provision charges which will need to be set aside from revenue to pay back the principal repayments for the borrowing. Therefore, capitalisation direction is not a financially sustainable solution for the Council's revenue budget as the cost of borrowing increases for future years.
- 4.27** Capital receipts from the Asset Disposal Strategy are being used to fund the ongoing capitalisation directions and therefore the Council is not able to reduce its existing historic debt (a situation of "treading water"). Therefore, debt write-off is the Council's preferred option and a request was made to

DLUHC in January 2023 for government funding to write-off £540m of the Council's General Fund debt. DLUHC has subsequently asked the Council to propose a wider range of options, and these are currently being worked on.

**4.28** There is a risk that if the Council has to continue with capitalisation directions that further reductions in the capital programme would need to be considered. The capital programme has already been significantly reduced over the last two years through detailed value for money review of projects and further reductions to investment in necessary infrastructure could prevent the Council from meeting its Best Value duty. Borrowing for long term infrastructure (such as highways) is normal practice for local authorities and reductions could create cost pressures in revenue budgets (e.g. reactive short-term repairs and maintenance, and legal claims) and result in the Council not meeting statutory requirements.

**4.29** Croydon has been supported by capitalisation directions to date as shown in the below table:

<b>Financial Year</b>	<b>Status</b>	<b>Previously agreed Directions £m</b>	<b>In-Principle Directions – secured Feb 2023 £m</b>	<b>Potential need for further Capitalisation Directions £m</b>	<b>Total Capitalisation Directions £m</b>
2019-20	Draft		126,000		126,000
2020-21	Draft	70,000	10,000		80,000
2021-22	Draft	50,000	14,400		64,400
2022-23	Draft		36,200		36,200
<b>Total March 2023</b>		<b>120,000</b>	<b>186,600</b>		<b>306,600</b>
2023-24	Planned		63,000		63,000
2024-25	Potential			38,000	38,000
2025-26	Potential			38,000	38,000
2026-27	Potential			38,000	38,000
2027-28	Potential			38,000	38,000
2028-29	Potential			38,000	38,000
<b>Total October 2023</b>		<b>120,000</b>	<b>249,600</b>	<b>190,000</b>	<b>559,600</b>

Key:

- Draft indicates the agreed and in-principle Capitalisation Directions have been applied in full to the Council's draft accounts, but that the audit of the accounts has not yet concluded.
- Planned indicates the intention to use the in-principle Capitalisation Direction in year
- Potential indicates the need for potential further borrowing in line with the comments in paragraph 4.13.

**4.30** These directions have come with specific request from government which includes:

- Any further borrowing from the date of the capitalisation up to and including, but not exceeding, the increase in the financing requirement must be obtained from the PWLB (Public Works Loan Board) and must be subject to an additional 1 percentage point premium on the interest rate above the rate the loan would otherwise be subject to and;
- The Council shall charge annual Minimum Revenue Provision using the asset life method with a proxy 'asset life' of no more than 20 years.

#### Capital Financing

**4.31** The table below provides a summary of the key funding sources the Council expects to use to pay for the proposed General Fund capital programme.

**Table showing capital financing of the General Fund capital programme**

Funding Source	2023-24 Budget	Forecast	Variance		2024-25	2025-26	2026-27	2027-28	2028-29
	£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000
CIL	(8,025)	(8,077)	(52)		(8,290)	(7100)	(6,600)	(6,600)	(6,600)
s106	(1,186)	(262)	924		(697)	(691)	(411)		
HRA Contribution	(1,772)	(1,452)	320						
Reserves - Growth Zone	(15,341)	(15,341)	-		(4,000)	(4,000)	(4,000)	(4,000)	(4,000)
Grant	(17,678)	(16,399)	1,279		(14,618)	(12,904)	(10,040)	(7,024)	(4,335)
Capital Receipts	(83,069)	(84,556)	(1,487)		(30,000)	(20,000)			
Borrowing	-	-	-		(28,375)	(29,703)	(49,164)	(48,116)	(48,191)
<b>Total GF Capital Funding</b>	<b>(127,071)</b>	<b>(126,087)</b>	<b>984</b>		<b>(85,980)</b>	<b>(74,398)</b>	<b>(70,215)</b>	<b>(65,740)</b>	<b>(63,126)</b>

**4.32** The capital programme is required to have its own funding sources and whilst revenue resources can be used to fund capital spend, capital funds cannot be used to fund revenue spend.

- 4.33** It is always cost effective for the Council to utilise non-debt financing to fund the capital spend as this does not result in increased revenue costs which include Minimum Revenue Provision and interest charges. However, such alternative sources of funding are not always available to finance projects that are driven by the Council's own priorities. If sufficient capital receipts or revenue are also not available, borrowing becomes a necessity.
- 4.34** The current capital programme relies significantly on debt financing and the implications of this are further explained below. Between 2023-24 to 2028-29 of the capital programme the Council is estimating to borrow £203.55m, which represents 41.8% of the total financing sources. Capital receipts, at £133.07m, is the next main source of financing the capital programme.
- 4.35** The Council is exploring options to generate further capital receipts and an update on the Asset Management and Disposal Plan was presented to Cabinet in November 2023 which detailed the delivery plan along with a range of assets the Council is proposing to dispose.

#### Debt Financing

- 4.36** Croydon currently has a borrowing requirement (CFR) of £1.425bn in the General Fund and a further £0.364bn in the Housing Revenue Account. This means that the Council is already considerably highly leveraged and the MTFs indicates that c£70m is set aside to pay for Minimum Revenue Provision and interest costs. Any further borrowing for the Capital Programme will only add to the level of debt and further increase costs to the revenue account. The projected General Fund borrowing of £203.55m represents approximately 14% of additional debt on top of the existing General Fund debt balance. This poses considerable future risks particularly to the revenue account because of servicing the debt. Serious consideration on sustainability will need to be assessed and the Treasury Management Strategy will further highlight the resulting risk.
- 4.37** When delivering the capital programme, the Council is required to have due regard for the Prudential Code and ensure that the Council's debt levels and borrowing levels do not exceed its own prudential limits. The Code requires councils to formulate plans that are affordable, prudent and sustainable. The MTFs report has made it clear that current debt levels are not sustainable, and the Council has sought extraordinary financial support from Government to ensure the Council's finances are put on a sustainable footing for the future.



## Housing Revenue Account Capital Programme

- 4.38** The Housing Revenue Account (HRA) continues to make improvements to housing stock management and the Council appointed Savills to carry out a detailed review of the capital programme to continue the necessary investment within the Housing Stock. Stock condition surveys, which will inform the HRA business plan, are still underway and therefore the HRA capital programme contained in this report is a draft version which will be updated prior to full Council in February.
- 4.39** The stock conditions survey will further inform the current housing service's asset management strategy, transformation and improvement plans, and the long-term plan for the management of the investment of Council housing assets. The 2023-24 capital programme is overspending against the original capital plan owing to increased damp/mould and fire safety works, and dealing with the current backlog of repairs and maintenance work. It is requested through this report to approve an increase to the 2023-24 HRA capital budget from £33.248m to £37.162m, with this £3.914m increase funded by HRA reserves.
- 4.40** The table below shows the 2023-24 forecast at Period 6 and the draft allocations for future years which are under review to ensure that sufficient financial resources are set aside to support the development of the asset management strategy aims of meeting the manifesto promise to turn around and provide a housing service which we can be proud of.

**Table showing HRA capital programme estimates**

HRA Capital Expenditure	Revised Budget 2023-24	Forecast 2023-24	Variance 2023-24	Budget 2024-25	Budget 2025-26	Budget 2026-27	Budget 2027-28	Budget 2028-29
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Major Repairs and Improvements Programme	21,355	37,180	15,825	23,045	32,627	26,349	28,615	28,615
NEC Housing System	1,772	-	(1,772)	-	-	-	-	-
Regina Road	1,500	-	(1,500)	14,105	14,105	14,105	14,105	14,105
Building Safety Works	3,735	-	(3,735)	8,610	42,850	22,550	11,065	2,550
Repairs Referrals	8,800	-	(8,800)	11,500	7,500	7,500	7,500	7,500
<b>Total HRA Capital Expenditure</b>	<b>37,162</b>	<b>37,180</b>	<b>18</b>	<b>57,260</b>	<b>97,082</b>	<b>70,504</b>	<b>61,285</b>	<b>52,770</b>

**4.41** The scale of social housing is extensive as the plan indicates a total investment of £338.9m between 2024-25 and 2028-29. The programme will deliver extensive repairs and improvement works to the existing housing stock which will improve the living conditions of all tenants. Extensive refurbishment works planned on older buildings along with a whole new re-build of Regina Road Estate is planned to commence as key engagement has already taken place with the residents.

**4.42** The HRA has capacity within its account to take on more debt and through work done with Savills a sustainable financing solution is being developed by the housing service to meet the capital expenditure plans. The table below details the draft key funding sources the HRA has earmarked to apply to the delivery programme which includes a projection of £175.65m of new borrowing for 2023-29 which will be financed through HRA reserves and/or the revenue account.

**Table showing capital financing of the draft HRA capital programme**

HRA Capital Funding Source	Revised Budget 2023-24	Forecast 2023-24	Variance 2023-24	Budget 2024-25	Budget 2025-26	Budget 2026-27	Budget 2027-28	Budget 2028-29
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Major Repairs Reserve	(15,457)	(16,082)	(625)	(14,879)	(15,191)	(15,434)	(15,683)	(15,683)
Revenue	(13,900)	(13,900)	-	(15,443)	(15,615)	(14,072)	(16,123)	(16,123)
RTB Receipts	(2,118)	(2,118)	-	(2,140)	(2,161)	(2,183)	(2,149)	(2,149)
Reserves	(3,914)	(6,852)	(2,938)					
Borrowing	(1,772)	-	1,772	(24,798)	(64,115)	(38,816)	(27,330)	(18,815)
<b>Total HRA Capital Financing</b>	<b>(37,162)</b>	<b>(38,952)</b>	<b>(18)</b>	<b>(57,260)</b>	<b>(97,082)</b>	<b>(70,504)</b>	<b>(61,285)</b>	<b>(52,770)</b>

Next Steps and Ongoing Improvements

**4.43** Over the course of 2022-23 significant issues with regards to capital were addressed. Oversight of the Capital Programme was brought into the corporate finance team where a holistic and council wide approach was provided and which enabled an improved approach to the way capital monitoring and budget setting was consolidated. This has allowed the Council to better profile its budgets over the life of the projects and to present a 5 years capital programme rather than a single year position.

**4.44** The implementation of a Capital Internal Control Board in 2022 and the introduction of the post of Director of Commercial Investment and Capital has provided much needed structure and focus to managing delivery of the capital programme.

- 4.45** However, there is much more to be done and whilst key foundations have been set within the Council to manage the Capital Programme, there are a number of improvements still to implement. As indicated within the Capital Strategy (Appendix A) the Council has a number of key areas of improvement that continue to be addressed. The focus of the capital programme operational arrangements will be to ensure that whilst meeting the requirements as detailed within this report, the further recommendations advised by PwC are also delivered.
- 4.46** The Capital Internal Control Board is overseeing work to further improve capital governance arrangements and the preparation of business case templates in line with the Five Case Model. The Five Case Model is an approach for developing business cases recommended by HM Treasury and the UK Office of Government Commerce, and is widely used across central government departments and public sector organisations.

#### Contribution to Improvement and Assurance Panel (IAP) Exit Strategy

- 4.47** The IAP published its Exit Strategy in October 2023. Delivery of the Exit Strategy will provide confidence that the Council is able to drive its own continuous improvement and demonstrate Best Value without a need for external intervention by the Department for Levelling Up, Housing and Communities (DLUHC).
- 4.48** The Capital Programme and Strategy demonstrates the delivery of Best Value and supports the following objectives of the Exit Strategy:
- Operation of Governance Structures – the setting of the 2024-25 budget following timely and well-engaged process for deliberation.
  - Council’s finances on a sustainable footing – a balanced budget achieved for 2024-25 (with exceptional financial government support).
  - Robust finance governance procedures are in place – progress against the Annual Governance Statement Action Plan.
  - Maximise asset sales to reduce debt – delivery of asset disposal plan.
  - To deliver best value in respect to community assets including Libraries/Community Hubs.
  - Parking Policy Review – Roll out and installation of new ANPR cameras.
  - Croydon’s housing stock is rendered safe and compliant, meeting consumer and home standards.
  - The Council understands its stock, condition and the residents who live there. It has robust data assembled and uses this to inform service delivery and maximise income.
  - The Council develops and implements a Housing Regeneration and Supply Strategy.

- Put in place robust systems and sound procedures including the Oracle Improvement Project.
- Contract management arrangements to be improved.

## **5 ALTERNATIVE OPTIONS CONSIDERED**

5.1 None.

## **6 CONSULTATION**

6.1 The development of the Capital Programme forms part of the Medium Term Financial Strategy (MTFS) for the Council. The 2024-25 budget engagement is underway and views on capital priorities are welcomed from residents, community organisations and local businesses.

## **7. CONTRIBUTION TO COUNCIL PRIORITIES**

7.1 The capital programme and capital strategy 2023-29 supports the Mayor's Business Plan 2022-2026 objective one "The council balances its books, listens to residents and delivers good sustainable services".

## **8. IMPLICATIONS**

### **8.1 FINANCIAL IMPLICATIONS**

8.1.1 Financial implications have been provided throughout this report. The Capital Programme will be provided for within the Council's Medium Term Financial Plan.

8.1.2 The Council has high costs of borrowing and therefore careful and prudent management of the capital budget is required to avoid unnecessary costs to the revenue account.

Comments approved by Allister Bannin, Director of Finance (Deputy s151 Officer).

### **8.2 LEGAL IMPLICATIONS**

8.2.1 Under Section 1 of the Local Government Act 2003 ("LGA") ("Power to borrow"), a local authority may borrow for any purpose relevant to its functions or for "the prudent management of its financial affairs".

8.2.2 Under Section 3(1) and (8) of the LGA ("Duty to determine affordable borrowing limit") the Council must determine and keep under review how much money it can afford to borrow, and the function of determining and keeping these levels under review must be discharged by full Council, rather than by the executive.

- 8.2.3** Sections 15 and 21 (1A) of the LGA requires the Council to have regard to any guidance issued by the Secretary of State and guidance about accounting practices to be followed in particular with respect to the charging of expenditure to a revenue account. Consequently, the Council is required to have regard to the “Statutory guidance on Local Government Investments (3rd Edition)” and the “Capital finance: guidance on minimum revenue provision (fourth edition)” issued under these provisions.
- 8.2.4** The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended) make provisions for the capital finance and accounts under the LGA 2003. Regulation 2 requires the Council to have regard to the “Prudential Code for Capital Finance in Local Authorities” issued by CIPFA when determining, under section 3 of the LGA, how much money they can afford to borrow. Regulations 23 and 24 provide respectively that capital receipts may only be used for specified purposes and that in carrying out its capital finance functions, the Council must have regard to the code of practice in “Treasury Management in the Public Services: Code of Practice and Cross- Sectoral Guidance Notes” issued by CIPFA.
- 8.2.5** Regulations 25 and 26 provide for expenditure which is, and which is not, to be treated as capital expenditure for the purposes of the LGA 2003. Regulation 27 provides that local authorities must charge to a revenue account a minimum amount (“minimum revenue provision”) and may charge to a revenue account an additional amount, in respect of the financing of capital expenditure. The minimum revenue provision is calculated in accordance with regulations 28 to 29.
- 8.2.6** Under the Council’s Budget and Policy Framework Procedure Rules, the Executive is responsible for the preparation of proposed plans, strategies or budgets that form part of the Budget and Policy Framework, including plans or strategies for the control of the Council’s borrowing or capital requirement. The proposals in this report will therefore form part of proposals for submission to full Council.
- 8.2.7** Under the Council’s Financial Regulations, the Chief Financial Officer is responsible for ensuring that a balanced revenue budget and capital programme and budget, are prepared on an annual basis.
- 8.2.8** Under Directions dated 20 July 2023, issued by the Secretary of State under Section 15(5) of the Local Government Act 1999, the Council must, amongst other things “secure as soon as practicable that all the Authority’s functions are exercised in conformity with the best value duty, thereby delivering improvements in services and outcomes for the people of Croydon”.

Comments approved by Sandra Herbert, Head of Litigation and Corporate Law on behalf of the Director of Legal Services and Monitoring Officer, 07/11/2023.

### **8.3 HUMAN RESOURCES IMPLICATIONS**

**8.3.1** There are no immediate Human Resources implications arising from this report.

Comments approved by: Dean Shoosmith, Chief People Officer, 3/11/2023.

### **8.4 EQUALITIES IMPLICATIONS**

**8.4.1** As a public body, the Council is required to comply with the Public Sector Equality Duty [PSED], as set out in the Equality Act 2010. The PSED requires the Council to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations between different people when carrying out their activities. Failure to meet these requirements may result in the Council being exposed to costly, time consuming and reputation-damaging legal challenges.

**8.4.2** The Council must, therefore, ensure that we have considered any equality implications in respect of the capital programme and Strategy. The Council has an established Equality Impact Assessment process, with clear guidance, templates and training for managers to use whenever new policies or service changes are being considered. This approach ensures that proposals are checked in relation to the impact on people with protected characteristics under the Equality Act 2010.

**8.4.3** The objectives of the Mayor's Business Plan are focused on delivering good sustainable services and creating opportunities for all residents of Croydon including children and young people. The proposals in the capital programme are likely to impact on residents, the extent of which and the characteristics most affected can only be identified following further analysis once the proposals have been developed.

**8.4.4** During the MTF process, proposals which impact on people are subjected to equality analysis using a data driven approach and offer mitigation to people most affected.

**8.4.5** We commit to ensuring that we meet our legal requirements under the Equality Act 2010 to our residents including disabled residents and the parents of disabled residents in respect of children and young people.

**8.4.6** We have identified areas of improvement in relation to the collection of data across directorates and are committed to improving this to enable our decisions to be more evidence based and robust.

Comments approved by Naseer Ahmed for Equalities Programme Manager, 06/11/2023.

## **9. APPENDICES**

Appendix B – 2023-24 to 2028-29 Capital Programme  
Appendix A - Capital Strategy 2024-25

## **10. BACKGROUND DOCUMENTS**

**10.1** None.

**Appendix B – 23-24 to 28-29**

**CAPITAL PROGRAMME**

**REVISED CAPITAL PROGRAMME**

<b>CAP BID No.</b>	<b>PROJECT NAME</b>	<b>SPEND and Funding TYPE</b>	<b>2023-24 (£,000's)</b>	<b>2024-25 (£,000's)</b>	<b>2025-26 (£,000's)</b>	<b>2026-27 (£,000's)</b>	<b>2027-28 (£,000's)</b>	<b>2028-29 (£,000's)</b>
GF CAP 03	Bereavement Services	Spend	127					
GF CAP 85	My Resources Interface Enhancement	Spend	169	83				
GF CAP 86	Network Refresh	Spend	152	789	33			
GF CAP 87	Tech Refresh	Spend	292	0				
GF CAP 88	Geographical Information Systems	Spend	312					
GF CAP 90	Laptop Refresh	Spend	212	4,423				
GF CAP 91	Cloud and DR	Spend	167	268				
GF CAP 89	Synergy Education System	Spend	858	187				
GF CAP 93	NEC Housing System	Spend	2,725					
GF CAP 93	NEC Housing System	HRA Contribution	(1,772)					
GF CAP 66	Uniform ICT Upgrade	Spend	56					
NEW BID	Public Switched Telephone Network	Spend		543				



	Digital Migration Phase 1							
<b>ASSISTANT CHIEF EXECUTIVE</b>			<b>3,298</b>	<b>6,292</b>	<b>33</b>	<b>0</b>	<b>0</b>	<b>0</b>
GF CAP 79	Children Home DFE	Spend	329					
GF CAP 79	Children Home DFE	Grant	(329)					
<b>CHILDREN, YOUNG PEOPLE AND EDUCATION</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
GF CAP 04	Disabled Facilities Grant	Spend	3,000	3,335	3,335	3,335	3,335	3,335
GF CAP 04	Disabled Facilities Grant	Grant	(3,000)	(3,335)	(3,335)	(3,335)	(3,335)	(3,335)
GF CAP 05	Empty Homes Grants	Spend	400					
<b>HOUSING</b>			<b>400</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
GF CAP 56	Asset Strategy - Stubbs Mead	Spend	500	150				
GF CAP 57	Asset Strategy Programme	Spend	240	113				
GF CAP 59	Clocktower Chillers	Spend	15	367				
GF CAP 60	Corporate Property Maintenance Programme	Spend	2,780	2,000	2,000	2,000	2,000	2,000
GF CAP 18	Fairfield Halls - Council	Spend	625	500				
GF CAP 78	Former New Addington Leisure Centre	Spend	600					
GF CAP 24	Fieldway Cluster (Timebridge Community Centre)	Spend	248	0				
GF CAP 100	Contingency	Spend	1,000	1,000	1,000	1,000	1,000	1,000
GF CAP 08	Education - Fire Safety	Spend	450	473				

GF CAP 08	Education - Fire Safety	Grant	(450)	(473)				
GF CAP 09	Education - Fixed Term Expansions	Spend	225	1,500	1,493	2,640		
GF CAP 09	Education - Fixed Term Expansions	Grant	(225)	(1,500)	(1,493)	(2,640)		
GF CAP 10	Education - Major Maintenance	Spend	3,321	4,200	2,544			
GF CAP 10	Education - Major Maintenance	Grant	(3,321)	(4,200)	(2,544)			
GF CAP 11	Education - Miscellaneous	Spend	100					
GF CAP 11	Education - Miscellaneous	Grant	(100)					
GF CAP 12	Education - Permanent Expansion	Spend	297					
GF CAP 12	Education - Permanent Expansion	Grant	(297)					
GF CAP 14	Education - SEN	Spend	1,600	1,340	2,000	2,947	2,689	
GF CAP 14	Education - SEN	Grant	(517)	(1,340)	(2,000)	(2,947)	(2,689)	
GF CAP 14	Education - SEN	LMP CIL	(873)					
GF CAP 14	Education - SEN	Grant	(210)					
<b>RESOURCES</b>			<b>6,008</b>	<b>4,130</b>	<b>3,000</b>	<b>3,000</b>	<b>3,000</b>	<b>3,000</b>
GF CAP 25	Growth Zone	Spend	15,341	4,000	4,000	4,000	4,000	4,000
GF CAP 25	Growth Zone	Growth Zone Fund	(15,341)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)
GF CAP 26	Grounds Maintenance Insourced Equipment	Spend	1,200					
GF CAP 27	Highways	Spend	8,260	8,618	8,618	8,618	8,618	8,618
GF CAP 29	Highways - flood water management	Spend	404	435	435	435	435	435
GF CAP 30	Highways - bridges and highways structures	Spend	1,641	2,663	5,513	5,513	5,513	5,513
GF CAP 30	Highways - bridges and highways structures	Grant	(1,481)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)

GF CAP 31	Highways - Tree works	Spend	50					
GF CAP 31	Highways - Tree works	Grant	(50)					
GF CAP 81	Local Authority Tree Fund	Spend	83	67	67			
GF CAP 81	Local Authority Tree Fund	Grant	(83)	(67)	(67)			
GF CAP 82	Trees Sponsorship	Spend	42					
GF CAP 82	Trees Sponsorship	Grant	(42)					
GF CAP 84	Leisure centres equipment Contractual Agr	Spend		174	204	198	150	225
GF CAP 83	Tennis Court Upgrade	Spend	75					
GF CAP 33	Leisure Equipment Upgrade	Spend	148					
GF CAP 34	Libraries Investment - General	Spend	224	1,390				
GF CAP 34	Libraries Investment - General	LMP CIL	(224)	(1,390)				
GF CAP 80	Central Library Digital Discovery Zone	Spend		175				
GF CAP 80	Central Library Digital Discovery Zone	Grant		(150)				
GF CAP 77	New Investment to South Norwood Library	Spend		520				
GF CAP 39	Parking	Spend	1,843	1,662				
GF CAP 39	Parking	Grant	(166)					
GF CAP 95	Cashless Pay & Display	Spend	1,463					
GF CAP 41	Play Equipment	Spend	300					
GF CAP 41	Play Equipment	LMP CIL	(28)					
GF CAP 41	Play Equipment	s106	(125)					
GF CAP 41	Play Equipment	Grant	(50)					
GF CAP 43	Safety - digital upgrade of CCTV	Spend	1,540					
GF CAP 46	HIGHWAY Road Markings/Signs	Spend	137					

	(Refresh)							
GF CAP 47	South Norwood Good Growth	Spend	773					
GF CAP 47	South Norwood Good Growth	s106	(45)					
GF CAP 47	South Norwood Good Growth	Grant	(692)					
GF CAP 47	South Norwood Good Growth	Grant	(36)					
GF CAP 48	Kenley Good Growth	Spend	304	90				
GF CAP 48	Kenley Good Growth	s106	(254)					
GF CAP 48	Kenley Good Growth	Grant	(50)	(90)				
GF CAP 49	Sustainability Programme	Spend	300	300	500			
GF CAP 49	Sustainability Programme	LMP CIL	(300)	(300)	(500)			
GF CAP 50	LIP	Spend	7,427	3,150	3,150			
GF CAP 50	LIP	s106	(762)	(300)	(300)			
GF CAP 50	LIP	Grant	(6,165)	(2,350)	(2,350)			
GF CAP 96	Cycle Parking	Spend	106	118	124	133		
GF CAP 96	Cycle Parking	S106	0	(75)	(79)	(85)		
GF CAP 96	Cycle Parking	Grant	(106)	(43)	(45)	(48)		
GF CAP 97	Electric Vehicle Charging Point (EVCP)	Spend	3	392	382	396		
GF CAP 97	Electric Vehicle Charging Point (EVCP)	s106	0	(322)	(312)	(326)		
GF CAP 97	Electric Vehicle Charging Point (EVCP)	Grant	0	(70)	(70)	(70)		
GF CAP 97	Electric Vehicle Charging Point (EVCP)	Grant	(3)					
NEW BID	Ashburton Park Heritage Fund	Spend	305					
NEW BID	Ashburton Park Heritage Fund	Grant	(305)					
GF CAP 99	Park Asset	Spend	700	1,000	1,000	1,000		

	Management							
GF CAP 53	Waste and Recycling Investment	Spend	602	1,956				
<b>SUSTAINABLE COMMUNITIES, REGEN &amp; ECONOMIC DVLPT</b>			<b>16,963</b>	<b>16,553</b>	<b>15,270</b>	<b>14,764</b>	<b>13,716</b>	<b>13,791</b>
GF CAP 101	Capitalisation Direction	Spend	63,000	38,000	38,000	38,000	38,000	38,000
GF CAP 101	Capital Receipts	Capital Receipts	(83,070)	(30,000)	(20,000)	-	-	-
GF CAP 70	Further CIL (to be allocated)	CIL	(6,600)	(6,600)	(6,600)	(6,600)	(6,600)	(6,600)
<b>CORPORATE</b>			<b>(26,670)</b>	<b>1400</b>	<b>11,400</b>	<b>31,400</b>	<b>31,400</b>	<b>31,400</b>

<b>TOTAL NET GENERAL FUND CAPITAL - Borrowing</b>	<b>-</b>	<b>28,375</b>	<b>29,703</b>	<b>49,164</b>	<b>48,116</b>	<b>48,191</b>
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**LONDON BOROUGH OF CROYDON**

**CAPITAL STRATEGY**

**2024-25**

1	<b>FOREWORD</b>	3
2	<b>INTRODUCTION</b>	3
3	<b>CONTEXT</b>	4
4	<b>MAYORAL BUSINESS PLAN 2022-2026</b>	6
4.1	OVERVIEW	6
4.2	THE FIVE OUTCOMES	6
5	<b>CAPITAL PROGRAMME</b>	9
5.1	OVERVIEW	9
5.2	CAPITAL PROGRAMME EXPENDITURE	10
5.3	GENERAL FUND CAPITAL PROGRAMME	10
5.4	HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME	13
6	<b>ASSET MANAGEMENT PLAN 2022-2027</b>	14
6.1	OVERVIEW	14
6.2	VISION AND PRIORITIES	15
6.3	SUPPORTING FINANCIAL SUSTAINABILITY	16
6.4	ASSET DISPOSAL AND PROPERTY TRANSFORMATION	16
6.5	ASSET CONDITION	17
6.6	SUSTAINABLE ESTATE	17
6.7	REGENERATION	18
6.8	INVESTMENT ASSETS	18
6.9	DISPOSAL APPROACH AND GOVERNANCE	18
7.	<b>CAPITAL PROGRAMME FUNDING &amp; FINANCING</b>	19
7.1	OVERVIEW	19
7.2	FUNDING SOURCES	19
7.3	FINANCING	22
8.	<b>CAPITAL PROGRAMME GOVERNANCE</b>	23
8.1	OVERVIEW	23
8.2	GOVERNANCE SUMMARY	24
8.3	ROLES AND RESPONSIBILITIES	25
8.4	DECISION-MAKING PROCESS	26
8.5	RISK REGISTER	27
9.	<b>CAPITAL PROGRAMME MANAGEMENT AND MONITORING</b>	27
9.1	OVERVIEW	27



## 1 FOREWORD

- 1.1.1. The Capital Strategy is a key strategic document providing a high-level overview of how capital expenditure, capital financing, investments, liabilities and treasury management activity contribute to the provision of services, together with an overview of how associated risk is managed.
- 1.1.2. The Capital Strategy recognises the complex and challenging financial and operational circumstances in which the Council continues to find itself. The Mayoral Business Plan Objective 1 is that the Council *'balances its book, listens to residents and delivers good, sustainable services'*. This 2024-25 Capital Strategy continues on from the 2023-24 Capital Programme in being reduced in scale and cost compared to previous years. With circa £1.4bn of General Fund debt and an environment of higher interest rates the delivery of an effective Asset Management Plan and an ambitious Asset Disposal Strategy, including reducing the number of buildings used by the Council, is essential to mitigate rising cost pressures, reduce the overall debt burden and help the Council balance its books.
- 1.1.3. The Capital Strategy presented here and associated capital framework will continue to be improved over coming months and years.

## 2 INTRODUCTION

- 2.1.1 Local Authorities are required by regulation to have regard for the Chartered Institute of Public Finance & Accountancy (CIPFA) Prudential Code 2021 which sets out a framework to ensure that the capital expenditure plans of Local Authorities are affordable, prudent and sustainable. The 2018 revision of the Prudential Code introduced the requirement for local authorities to produce a Capital Strategy representing their approach to financial planning. The 2021 revision of the Prudential Code further amended the requirements for a Capital Strategy including the need to address environmental sustainability consistent with the Council's corporate policies and setting and revising prudential indicators with regards to decision making on capital investment.
- 2.1.2 Capital expenditure referred to in the strategy is consistent with the definition within CIPFA Accounting Code of Practice as:  
  
*"...Expenditure that results in the acquisition, construction, or the enhancement of non-current assets (tangible or intangible) in accordance with proper practices... All other expenditure must be accounted for as revenue expenditure unless specifically directed by the Secretary of State."*
- 2.1.3 A Capital Strategy is defined as a key strategic document that provides a high level overview of how capital expenditure, capital financing, investments, liabilities and treasury management activity contribute to the provision of

services, together with an overview of how associated risk is managed and the implications for future financial sustainability.

- 2.1.4 A Capital Programme is defined as an internal working document for elected councillors and officers that identifies agreed capital projects, showing the total cost of capital projects and the projected phasing of those capital projects over current and future financial years.
- 2.1.5 This document sets out how the Council takes capital expenditure and investment decisions in line with service objectives and overall organisational strategy. Its aim is to ensure decisions are being made with sufficient regard to the long-term financing implications and potential risks to the authority.
- 2.1.6 This Capital Strategy provides the foundation for the Council's long-term management and delivery of its Capital Programme. It sets the policy framework for the Capital Programme and shows how capital expenditure, capital financing and treasury management activities will be undertaken to drive the Council's ambition to achieve long-term financial sustainability.
- 2.1.7 The Capital Strategy forms a fundamental part of the ongoing strategic planning of the Council together with the Medium Term Financial Strategy, Treasury Management Strategy, Housing Revenue Account (HRA) Budget and HRA 30 Year Business Plan. Subject to Cabinet approval, it will be updated periodically and at least once a year to reflect new priorities, schemes and methods of finance introduced.
- 2.1.8 This document is a continuation of the improved Capital Strategy developed for 2023-24 with the Council recognising it is still on a journey towards developing a robust and effective Capital Framework. The document reflects the progress made to date by the Council to improve the governance and financial management of the Capital Programme following recommendations from the two Reports in the Public Interest (RIPI). The Council understands that the initial improvements put in place are the foundations of good practice and is focused on building upon these over the coming months and years.

### **3 CONTEXT**

- 3.1.1 The Capital Strategy recognises the complex and challenging financial and operational circumstances in which the Council continues to find itself following two Reports in the Public Interest (RIPI) published by its external auditor (Grant Thornton UK LLP) in October 2020<sup>1</sup> and January 2022<sup>2</sup> and subsequent reviews into its financial management arrangements. The reports highlighted grave governance, operational and financial failures within the Council and made a

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<sup>1</sup> Report in the Public Interest (RIPI 1) concerning the Council's financial position and related governance arrangements

<sup>2</sup> Report in the Public Interest (RIPI 2) concerning the refurbishment of Fairfield Halls and related governance arrangements.

series of recommendations in relation to capital that are considered throughout this document.

- 3.1.2 The review also highlighted concerns regarding value for money and investment decisions as the Council has incurred £300m of debt in investing in assets which have not retained their value and therefore the level of debt exceeds the value of the investment assets. In the three years between 2017-18 and 2019-20 the Council borrowed £545m with no focused debt management plan in place. The majority of this debt comprises short-term borrowings which has left the Council exposed to current higher interest rates. The debt is anticipated to be refinanced from 2023 onwards and therefore likely to drive significant increases in annual repayment levels.
- 3.1.3 The Council's current debt burden is circa £1.789bn and includes circa £0.364bn Housing Revenue Account debt. At present, an estimated £66m per annum is required to service this debt from the General Fund which represents around 19% of the Council's net budget. The Council's borrowing and debt burden has, therefore, become critical to the sustainability of the Council's revenue budget.
- 3.1.4 The Council has concluded that the expenditure it is anticipated to incur in each year of the period 2024-28 is likely to exceed the financial resources available and that reaching financial and operational sustainability without further government assistance will not be possible. The Council's 2023-24 budget required capitalisation directions from government of £63m to balance and the Medium Term Financial Strategy (MTFS) demonstrates an ongoing estimated budget gap of £38m per annum from 2024-25. Each additional £38m borrowed through capitalisation directions would add an estimated £3m per annum to future borrowing costs.
- 3.1.5 In response to its financial situation the Council is considering a range of actions including flexible use of Growth Zone business rates, asset disposals and a range of transformation proposals. Dialogue with the Department for Levelling Up, Housing and Communities (DLUHC) continues, and the Council is seeking further financial support from Government in regards to its level of historic legacy indebtedness and balancing the budget to ensure it can deliver sustainable local government services.
- 3.1.6 It must be noted that annual capitalisation directions (transferring revenue cost into capital cost which must be funded over 20 years) increases the Council's debt burden. Also capital receipts from the Asset Disposal Strategy are being used to fund the ongoing capitalisation directions and therefore the Council is not able to reduce its existing historic debt (a situation of "treading water").
- 3.1.7 Therefore, debt write-off is the Council's preferred option and a request was made to DLUHC in January 2023 for government funding to write-off £540m of the Council's General Fund debt. DLUHC has subsequently asked the Council to propose a wider range of options, and these are currently being worked on.

- 3.1.8 Against this financial backdrop the Council's Capital Programme is significantly impacted. The Council's high level of short-term borrowing and cost pressures from increased interest rates means the programme has been reduced to comprise only core programmes and schemes that i) the Council are committed to commercially, ii) meet statutory obligations, iii) deliver savings in management and maintenance costs, and iv) avoid future cost increases.
- 3.1.9 The Council's property and other assets are also being reviewed to inform the approach to raise finance through sales in order to minimise borrowing costs, although the Council anticipates that the capital receipts will not reduce debt levels sufficiently to make the Council financially sustainable.
- 3.1.10 Several external macroeconomic factors may impact the delivery of the Capital Programme and its financing decisions. Recent high inflation has caused the Bank of England to increase interest rates, hence potentially putting additional cost pressures on the Council for loan repayments. Current levels of inflation as well as some challenges in the supply chain may also impact the delivery of the Capital Programme both from a cost and skill perspective. Furthermore, high debt levels incurred by the government during the Covid-19 pandemic may put additional pressure on local government funding.

## **4 MAYORAL BUSINESS PLAN 2022-2026**

### **4.1 OVERVIEW**

- 4.1.1 The Mayoral Business Plan (MBP) 2022-26 provides the framework within which the Capital Strategy has been developed and sets out the Council's objectives and priorities to strengthen governance and management systems, achieve financial and operational sustainability and complete the transformation of the Council over the next four years.
- 4.1.2 The MBP sets out a vision for Croydon consisting of five outcomes to be achieved and priority aims and high-level actions required to deliver these outcomes as summarised below.

### **4.2 THE FIVE OUTCOMES**

- The Council balances its book, listens to residents and delivers good, sustainable services
- Croydon is a place of opportunity for business, earning and learning
- Children and young people in Croydon have the chance to thrive, learn and fulfil their potential
- Croydon is a cleaner, safer and healthier place, a borough we're proud to call home

- People can lead healthier and independent lives for longer

4.2.2 The supporting priorities for each outcome are:

- ***Outcome 1: The Council balances its book, listens to residents and delivers good, sustainable services***
  - Get a grip on the finances and make the Council financially sustainable
  - Become a Council which listens to, respects and works in partnership with Croydon's diverse communities and businesses
  - Strengthen collaboration and joint working with partner organisations and the voluntary, community and faith sectors (VCFS)
  - Ensure good governance is embedded and adopt best practice
  - Develop our workforce to deliver in a manner that respects the diversity of our communities
- ***Outcome 2: Croydon is a place of opportunity for business, earning and learning***
  - Support the regeneration of Croydon's town and district centres, seeking inward investment and grants
  - Deliver a vibrant London Borough of Culture which showcases local talent and supports Croydon's recovery
  - Support the local economy and enable residents to upskill and access job opportunities
- ***Outcome 3: Children and young people in Croydon have the chance to thrive, learn and fulfil their potential***
  - Ensure children and young people have opportunities to learn, develop and fulfil their potential
  - Make Croydon safer for young people
  - Work closely with health services, Police and the VCFS to keep vulnerable children and young people safe from harm
- ***Outcome 4: Croydon is a cleaner, safer and healthier place, a borough we're proud to call home***
  - Make our streets and open spaces cleaner so that Croydon is a place that residents and businesses can feel proud to call home
  - Tackle anti-social behaviour, knife crime and violence

against women and girls so that Croydon feels safer

- Invest in council homes to drive up standards and develop a more responsive and effective housing service
- Ensure new homes are safe, well-designed and in keeping with the local area
- Lead action to reduce carbon emissions in Croydon
- **Outcome 5: People can lead healthier and independent lives for longer**
  - Work with partners and the VCFS to promote independence, health and wellbeing and keep vulnerable adults safe
  - Work closely with health services and the VCFS to improve resident health and reduce health inequalities
  - Foster a sense of community and civic life

4.2.3 Capital programme expenditure is a key tool in achieving the MBP outcomes and priorities. Targeted investment can provide the Council with the assets it needs to deliver high quality, value for money services, however, the Council's limited financial resources and capacity constraints place significant emphasis on the need to prioritise capital investment decisions to meet outcomes and priorities. In the near term this will mean the continuation of reduced spending, a wholesale transformation of working practices and embedding a strong governance structure across the authority to ensure value for money from the Capital Programme expenditure.

4.2.4 Delivering the outcomes and priorities of the MBP will have direct implications on the development of the Capital Strategy and the Capital Programme. The capital framework articulated within this document will therefore prioritise the following:

- Capital investment being targeted towards supporting the Council's corporate objectives.
- Capital investment being prudent, sustainable, affordable and providing value for money.
- Capital projects being delivered on time and within budget.
- Council staff having a common understanding of the long-term context in which capital investment decisions are made and all the financial risks to which the Council is exposed.
- Improved transparency at Capital Programme level along with a clear process for Council staff engagement.
- Improvement in approving and amending the Capital Programme and for scrutinising decisions relating to capital expenditure.
- Commitment to ensure Council staff have the skills, and expertise needed to effectively manage and deliver the Capital Programme.

- Strengthening the Capital Programme management function by streamlining governance, monitoring and reporting processes.
- Ensuring a sound financial position is maintained through sustainable deployment of resources.
- The Council is appropriately responding to the recommendations raised in the Reports in the Public Interest and Croydon Financial Review.

## 5 CAPITAL PROGRAMME

### 5.1 OVERVIEW

- 5.1.1 The Capital Programme will support the Council to achieve long term financial sustainability whilst enabling the Mayoral Business Plan over future years. It is expected that as the Council moves towards a position of financial sustainability it will become better placed to deliver on the ambition of the Business Plan. All capital projects will need to demonstrate how they will meet the Business Plan's priorities and outcomes before inclusion in the Capital Programme. The Capital Strategy and Capital Programme will therefore need to develop accordingly.
- 5.1.2 The 2024-25 Capital Programme sets out planned capital expenditure over the five year period to 2028-29, further increasing from the four year timeframe in 2023-24. The adoption of a longer timeframe is to ensure capital expenditure is profiled to mirror the delivery of the capital projects, allow longer term planning, show how each project is linked to the Council's priorities and summarises planned expenditure and funding.
- 5.1.3 The 2024-25 Capital Programme continues to reflect a reduction in scale and cost compared to years prior to 2023-24 and includes only core programmes and schemes, which have been assessed on the basis of:
- Requirement to meet health and safety
  - Supports invest to save
  - Mandatory or statutory requirement
  - Significant contribution to Council Plan and Mayor's objectives
  - Projects that have secured external funding
  - Any overspends for projects already in the Capital Programme
  - Minimum level of repairs and maintenance to retain existing asset values

## 5.2 CAPITAL PROGRAMME EXPENDITURE

- 5.2.1 Capital Programme expenditure is provided for within the General Fund and Housing Revenue Account budgets. The annual budget is the formal resource allocation process that enables the delivery of the Council's policies and priorities. Under statutory responsibility, the Council is required to reinvest in maintaining housing stock at decent standards which is a fundamental aim of the Housing Revenue Account.
- 5.2.2 The General Fund is the core account which summarises the cost of all services (except those related to Social Housing) provided by the Council's directorates including Housing, Assistant Chief Executive, Children, Young People and Education, Sustainable Communities, Regeneration and Economic Development, Resources and Corporate.
- 5.2.3 The Housing Revenue Account is a ring-fenced account used to manage income and costs associated with managing the Council's owned housing stock and related assets, which includes shops and garages on Council housing estates. It comprises 20,292 housing and related asset types with 13,424 General Rent dwelling stock<sup>3</sup>. The HRA is funded primarily from tenants' rents and service charges.

## 5.3 GENERAL FUND CAPITAL PROGRAMME

- 5.3.1 **Table 1** provides a summary of Capital Programme expenditure from the General Fund by future years including the current Capital Programme year of 2023-24 per Council Directorate.

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<sup>3</sup> Housing Revenue Account (HRA) 30 Year Business Plan 2021- 2051 and HRA Capital Programme 22/23, Appendix 2 Details of HRA Tenant Type



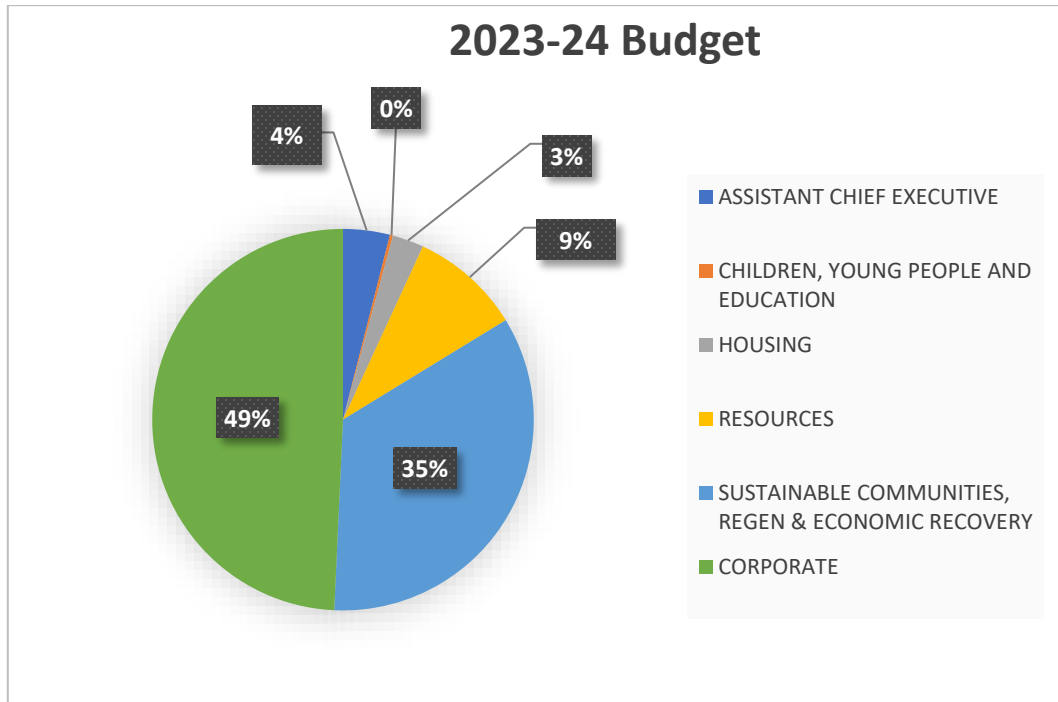
**Table 1 - General Fund Capital Programme Expenditure (£'000)**

Directorate	2023-24 Revised Budget	2024-25 Budget	2025-26 Budget	2026-27 Budget	2027-28 Budget	2028-29 Budget
ASSISTANT CHIEF EXECUTIVE	5,070	6,292	33	-	-	-
CHILDREN, YOUNG PEOPLE AND EDUCATION	329	-	-	-	-	-
HOUSING	3,400	3,335	3,335	3,335	3,335	3,335
RESOURCES	12,001	11,643	9,037	8,587	5,689	3,000
SUSTAINABLE COMMUNITIES, REGEN & ECONOMIC RECOVERY	43,271	26,710	23,993	20,293	18,716	18,791
CORPORATE	63,000	38,000	38,000	38,000	38,000	38,000
<b>Total General Fund Capital Programme</b>	<b>127,071</b>	<b>85,980</b>	<b>74,398</b>	<b>70,215</b>	<b>65,740</b>	<b>63,126</b>

*Please note that the Education capital delivery team has moved into the Commercial Investment and Capital Division in the Resources Directorate, so the Education capital schemes are now shown in Resources rather than the Children, Young People and Education Directorate.*

- 5.3.2 The Council is projecting to spend £126.09m in 2023-24 and planned expenditure of £359.46m (including capitalisation directions) from 2024-25 across the five remaining years of the Capital Programme.
- 5.3.3 Capitalisation directions contribute significantly to the Capital Programme. These have been included as a worst case scenario in future years in case dialogue with DLUHC does not result in a financial solution to the historic legacy debt issues of the Council. However, it needs to be noted that capitalisation of revenue spend increases the cost of borrowing in following years and is not a solution that would support the Council in becoming financially sustainable.
- 5.3.4 **Chart 1** demonstrates the current 2023-24 Capital Programme expenditure by Directorate. The Corporate expenditure element that comprises 49% of the total budget for the year relates to the use of the £63m Capitalisation Direction approved in principle by the Department of Levelling Up, Housing and Communities (DLUHC).

**Chart 1 - General Fund Capital Programme Expenditure 2023-24**



5.3.5 The 2024-25 Capital Programme is future looking and comprises key projects and assets continuing to incur expenditure from previous Capital Programme years and includes additional new projects that have obtained approval.

5.3.6 **Table 2** summarises the key project areas within each of the Council's Directorates and includes corporate items which comprise the Capitalisation Direction from DLUHC.

**Table 2 - General Fund Capital Programme Composition**

Directorates	Key Project Areas
Housing	<ul style="list-style-type: none"> <li>• Disabled Facilities Grant</li> </ul>
Assistant Chief Executive	<ul style="list-style-type: none"> <li>• Bereavement Services</li> <li>• Laptop Refresh</li> <li>• Network Refresh</li> <li>• Synergy Education System</li> </ul>
Children's, Young People & Education	<ul style="list-style-type: none"> <li>• Angel Lodge Children Home</li> </ul>
Sustainable Communities, Regeneration and Economic Recovery	<ul style="list-style-type: none"> <li>• Growth Zone</li> <li>• Highways</li> <li>• Local Authority Tree Fund</li> <li>• Trees Sponsorship</li> <li>• Parking</li> </ul>

	<ul style="list-style-type: none"> <li>• Play Equipment</li> <li>• South Norwood Good Growth</li> <li>• Kenley Good Growth</li> <li>• Sustainability Programme</li> <li>• Waste and Recycling Investment</li> <li>• Park Asset Management</li> <li>• CCTV digital upgrade</li> </ul>
Resources	<ul style="list-style-type: none"> <li>• Asset Strategy</li> <li>• Former New Addington Leisure Centre</li> <li>• Clocktower Chillers</li> <li>• Fairfield Halls</li> <li>• Education Fire Safety Works</li> <li>• Education Fixed Term Expansions</li> <li>• Education Major Maintenance</li> <li>• Education Permanent Expansion</li> <li>• Education Secondary Estate</li> </ul>
Corporate	<ul style="list-style-type: none"> <li>• Capitalisation Direction</li> </ul>

#### 5.4 HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME

5.4.1 **Table 3** provides a summary of Capital Programme expenditure from the Housing Revenue Account by future years including the current Capital Programme year of 2023-24.

**Table 3 - Housing Revenue Account (HRA) Capital Programme Expenditure (£'000)**

HRA Capital Expenditure	2023-24 Revised Budget	2024-25 Budget	2025-26 Budget	2026-27 Budget	2027-28 Budget	2028-29 Budget
Major Repairs and Improvements Programme	21,355	23,045	32,627	26,349	28,615	28,615
NEC Housing System	1,772	-	-	-	-	-
Regina Road	1,500	14,105	14,105	14,105	14,105	14,105
Building Safety Works	3,735	8,610	42,850	22,550	11,065	2,550
Repairs Referrals	8,800	11,500	7,500	7,500	7,500	7,500
<b>Total HRA Capital Expenditure</b>	<b>37,162</b>	<b>57,260</b>	<b>97,082</b>	<b>70,504</b>	<b>61,285</b>	<b>52,770</b>

- 5.4.2 The Capital Programme Expenditure from the Housing Revenue Account is £37.16m for the year of 2023-24 and a total expenditure of £338.90m between 2024-25 and 2028-29.
- 5.4.3 The programme will deliver extensive repairs and improvement works to the existing housing stock which will improve the living conditions of all tenants. Extensive refurbishment works planned on older buildings along with a whole new rebuild of Regina Road Estate is planned as key engagement has already taken place with the residents.

### **Housing Revenue Account 30 Year Business Plan**

- 5.4.4 The Council has appointed Savills to support the development of the HRA 30 year business plan from 2024-25 for 30 years onwards with their report expected to go to Cabinet in February 2024. The 30-year Business Plan provides consideration to both capital and revenue investments required for the management and maintenance of the Council's housing stock. The key focus of the Housing Revenue Account Business Plan is on the medium-term (first five years) as there is more certainty on costs, demands, resources and pressures, to enable the prioritisation of housing investment. The Plan will be used as a tool to assess the impact of decision making around stock acquisition and maintenance and will align with the HRA Asset Management Plan.
- 5.4.5 The Housing Revenue Account 30-year Business Plan addresses the outcomes and priorities within the Mayoral Business Plan by investing in housing stock to ensure all residents' homes are safe, warm, and dry, and aims to improve the Council's housing stock and invest in significantly reducing its carbon footprint over the life of the Plan. This will help the Council to live within its means, balance the books and provide value for money for residents, along with tackling ingrained inequality and poverty within the borough and providing the best quality core services.

## **6 ASSET MANAGEMENT PLAN 2022-2027**

### **6.1 OVERVIEW**

- 6.1.1 To ensure that capital assets continue to provide maximum value for the Council and contribute to its long-term vision, a new Corporate Asset Management Plan (AMP) and outline Property strategy was approved in November 2022.
- 6.1.2 The AMP provides clear guidance on the way that the Council will manage its assets<sup>4</sup> effectively and strategically to reflect both corporate priorities and community demands within the Borough as articulated within the Mayor's Business Plan and the Croydon Renewal Improvement Plan. The AMP is also

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<sup>4</sup> The AMP does not consider the Housing Revenue Account (Housing Revenue Account) assets or community schools in any detail as these are the subject of separate strategies.

aligned to the Council's priorities for 2022-25 as set out in the Medium-Term Financial Strategy (MTFS).

- 6.1.3 Assets are a corporate resource and the Council, through its Resources Directorate, has responsibility for obtaining the approval and subsequent monitoring of the AMP, its constituent priorities and any related decision-making and resource allocation regarding Council assets.
- 6.1.4 The Corporate Management Team (CMT) provides oversight and direction to the Asset Management Plan to ensure management of the Council's assets is considered corporately, including decisions in relation to the Council deciding to sell, buy, rent or hold assets.

## 6.2 VISION AND PRIORITIES

6.2.1 The Council's property assets should support service delivery, enable regeneration and development, or generate income. Property assets will be reviewed over the next four years in line with the corporate priorities of the AMP, which are listed below:

- **Maximise the use of council assets** - this will include:
  - **Asset Review and Challenge Programme** to assess how operational buildings are used and the performance of the investment estate
  - **Property Management Governance Framework** to support asset review, challenge and decision making
  - **Disposal Strategy** to focus on the release of surplus assets
- **Review of Operational Asset Management** that focuses on a new programme of condition surveys to inform the maintenance programme, health & safety and risk
- **Housing and regeneration** focusing on delivering new housing, workplaces, and job opportunities through the identification, release and development of surplus sites
- **Future property approach** to reflect the evolving societal impacts of the Covid-19 pandemic such as flexible working practices
- **Sustainable estate** to develop a carbon re-fit, plant replacement and maintenance program to support carbon neutral targets and improve energy efficiency

6.2.2 These priorities aim to contribute to the overall ambitions of the Capital Strategy by ensuring asset decisions are being made with sufficient regard to the long-term financial position of the Council and the requirement to become financially sustainable.

### **6.3 SUPPORTING FINANCIAL SUSTAINABILITY**

- 6.3.1 With around £1.4bn of debt for the General Fund and higher interest rates when that debt is scheduled for refinancing, the implementation of a robust Asset Management Plan, Corporate Property Strategy and Asset Disposal Strategy is essential to mitigate rising cost pressures and reduce the overall debt burden to the Council.
- 6.3.2 With the continued requirement to deliver both revenue savings and capital receipts, the number of buildings that are used by the Council to deliver services will need to be reduced. This can be achieved through the better utilisation of space, the adoption of hybrid working and adoption of different methods of delivery to residents. In some cases, changes may lead to the cessation of some non-statutory services altogether. The Asset Review and Challenge Programme will be used to review and challenge the use of property assets whilst the principles established within the Asset Disposal Strategy 2022-2027 will be used to identify and bring forward future proposals (see below).
- 6.3.3 The Housing team is developing a full asset management strategy which forms part of the housing transformation plan and will detail the long-term plan for the management of the investment of Council housing assets over a 10 years horizon.

### **6.4 ASSET DISPOSAL AND PROPERTY TRANSFORMATION**

- 6.4.1 The Asset Disposal and Property Transformation Programme is a process to continually review the Council's portfolio on a rolling basis to ensure that only assets that are performing to acceptable levels are retained or invested in. The c.120 buildings the Council occupies and delivers core services from are included in this programme.
- 6.4.2 The programme is initially reviewing all corporate assets and considering them against current service delivery needs. The resultant proposal will include timelines to reflect known or anticipated service delivery changes and future opportunities. It will also consider the complexity around the relocation of services where this is necessary as well as opportunities that may arise through contract expiries and the release of assets currently used to deliver these functions.
- 6.4.3 As part of the ongoing governance process an officer group has been set up (Asset Disposal and Property Transformation Board) to monitor the utilisation and performance of assets which includes looking at current occupation levels, running costs and opportunities for revenue/capital generation. This will then enable asset use and performance to be reviewed against the performance of other boroughs and available benchmark data.
- 6.4.4 The asset disposal programme has already identified non-essential assets that can be disposed of. The continuation of the asset review will further inform the Asset Disposal Strategy and programme by establishing which further assets are the most fundamental to the Council's service delivery and should be retained, and which assets are low-priority or surplus. The continuation of the

programme and subsequent rationalisation and/or disposal of current assets will help to deliver further capital receipts to reduce the Council's capital financing costs, debt burden and overall running costs.

## **6.5 ASSET CONDITION**

- 6.5.1 An important element of the overall Asset Management Plan (AMP) is the delivery of a new condition survey programme for the main corporate assets over the next 18-24 months. This was one of the key issues highlighted by the Improvement and Assurance Panel as a formal programme for undertaking condition surveys was stopped in 2016. The previous 5 year rolling programme of surveys could mean that some buildings have not been surveyed in detail for 12 years.
- 6.5.2 The new programme of surveys is an integral part of the new AMP and is being separately procured. This will provide a more detailed understanding as to the current condition of the main corporate assets. The work will also provide recommended budgets for necessary repairs and expenditure over the next 5 to 10 years to allow a more accurate basis for budgeting for both capital and revenue spend. It will also help to highlight those assets that need major investment and may no longer be cost effective to retain.

## **6.6 SUSTAINABLE ESTATE**

- 6.6.1 The Council declared a climate change and ecological emergency in July 2019 and Cabinet agreed that the Council would become carbon neutral by 2030. A wide range of actions have already been undertaken in Croydon to combat climate change.
- 6.6.2 Achieving carbon neutrality by 2030 will require significant financial investment. The financial investment will need to be funded from a variety of sources, including Council driven expenditure as well as external allocations from the business sector and available grant-funding streams. The Council will primarily look at introducing sustainable interventions through replacing old assets that need replacement with sustainable alternatives.
- 6.6.3 One of the key elements from an asset perspective in addressing the Climate Emergency will be through better building performance. This will become more focused over the next few years with the changes to the Energy Performance requirements for buildings that are being let or disposed of. The energy performance of Council properties will be a key consideration of the Asset Review and Challenge Programme.

## **6.7 REGENERATION**

6.7.1 The Council has wider ambitions for regeneration within the borough including the Growth Zone which is a partnership between the Central Government, the Council and the Greater London Authority. The Growth Zone will finance and deliver a 12 years redevelopment programme, which is essential to facilitate growth in Croydon town centre. The Mayoral Business Plan intends to support the regeneration of the town centre and district centres by seeking inward investment and grants. The Council continues to work with private sector partners to develop its town centre and is enhancing its planning policies to facilitate greater regeneration investment.

## **6.8 INVESTMENT ASSETS**

6.8.1 With the uncertainties caused as a result of the pandemic and a change to the Public Works Loan Board (PWLB) guidance in August 2020, the purchase of investment assets has been placed on hold.

6.8.2 The Council's investment portfolio generates income to support service delivery on an annual basis. Assets are retained within the investment portfolio whilst they continue to deliver positive financial returns. These assets also require capital investment in the form of maintenance and careful asset management in order to maintain the required income stream. As a result this portfolio places a demand on the Council's annual capital programme. It is important that these assets are continually reviewed and regular reporting on their performance is provided on a six-monthly basis to the Corporate Management Team (CMT) and annual report to Cabinet.

## **6.9 DISPOSAL APPROACH AND GOVERNANCE**

6.9.1 The Corporate Property and Asset Disposal Strategy 2022-2027 has a central role within the AMP. In order to reduce the debt burden on the Council, raising money through the disposal of assets will be essential. The Asset Disposal Strategy provides a formal approach to the management of assets and in particular their disposal where they have been identified as either surplus or no longer key to the delivery of services. This will be done in a structured and controlled manner to ensure that any disposal does not cause longer-term operational difficulties or fail to achieve the best return for the Council.

6.9.2 The Disposal Strategy adopts a flexible approach so that it can support future corporate requirements. It will aim to identify properties for disposal in the short to medium (3 years) term but will be reviewed annually to reflect changes in the delivery of services.

6.9.3 All decisions to dispose of an asset must be subject to a full business case report that will include a minimum set of requirements. The full process for disposal of property is set out in the Disposal Strategy and in summary is based on:

- If operational, the asset must be declared surplus to requirements by the relevant directors. Any proposed alternative uses will be considered against the benefits of disposing of the asset



- Obtaining supporting valuation and agency advice to inform the business case and disposal approach
- Final version of the business case approved by CMT, and then Mayoral/Cabinet approval where required

6.9.4 The Council has currently identified approximately £200m of potential disposal receipts based on existing sites previously identified, a review of investment assets and other potential opportunities driven by anticipated service changes, although the latter are dependent on confirmation by service directorates and clarity on the impact on individual operational assets.

6.9.5 Any ability to achieve receipts in excess of £200m in future years will be dependent on difficult decisions in relation to the future of service delivery, with the overall value of receipts likely limited by previous programmes to rationalise the Council's property portfolio and the market value of potentially surplus assets at any point in time.

## **7. CAPITAL PROGRAMME FUNDING & FINANCING**

### **7.1 OVERVIEW**

7.1.1 All Capital Programme expenditure must be financed from external sources (government grants and external contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing and leasing). The Council is seeking to fund the Capital Programme expenditure from a combination of external contributions, capital receipts from disposal of Council owned assets and funding schemes through borrowing.

### **7.2 FUNDING SOURCES**

7.2.1 There are a number of distinct sources of funding that can be utilised to finance capital expenditure. The Capital Strategy demonstrates that due consideration of funding will be made when capital projects are at the planning stage and no project will be put forward without funding having been identified to complete the delivery of the project.

7.2.2 The current Capital Programme comprises current and prospective means of funding and financing projects and the range of choices available are detailed below:

- **Community Infrastructure Levy (CIL)** - CIL is a standard charge on developments used to fund a wide range of infrastructure that is needed because of the development.
- **S106 Contributions** – some projects within the Capital Programme are funded by contributions from private sector developers.
- **Housing Revenue Account** - An account used to manage Income and costs associated with managing the Council's owned housing stock and

related assets which is funded primarily from tenants' rents and service charges. Revenue contributions can be made from this account to fund HRA capital schemes.

- **Growth Zone** - The use of Growth Zone business rates from the town centre designated area.
- **External Grants for Specific Purposes** – these include grant allocations categorised for specific purposes to deliver specific schemes or outcomes.
- **External Grants for Non-Specific Purposes** – grant allocations for the delivery of the Council's capital plans (most often from government departments), that are categorised as non-specific.
- **Capital Receipts** – The Council can generate capital receipts through the sale of surplus assets such as land and buildings. The Council seeks to maximise the level of these resources, which will be available to support the Council's plans. This funding source will be prioritised to fund assets with the shortest useful life, such as IT equipment, to reduce the requirement to borrow for assets that attract a greater annual Minimum Revenue Provision cost.
- **Prudential Borrowing** – The introduction of the Prudential Code in 2004 allows the Council to undertake unsupported borrowing itself. This borrowing is subject to the requirements of the Prudential Code for Capital Expenditure for Local Authorities. This has revenue implications for the Council in the form of financing costs, including Minimum Revenue Provision.
- **General Fund** – Revenue from the General Fund can potentially be utilised to provide contributions to the financing of the capital programme's current and prospective projects. At the current time the Council is not intending to make contributions to the programme from the General Fund due to a lack of available funding from this revenue source.

7.2.3 **Table 4** summarises how the current approved Capital Programme will be funded and provides a breakdown of the different funding sources for the General Fund.

**Table 4: Funding Sources for General Fund – (£'000)**

<b>Funding Source</b>	<b>2023-24 Budget</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£'000</b>
CIL	(8,025)	(8,290)	(7,100)	(6,600)	(6,600)	(6,600)
s106	(1,186)	(697)	(691)	(411)	-	-
HRA Contribution	(1,772)	-	-	-	-	-
Reserves - Growth Zone	(15,341)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)
Grants	(17,678)	(14,618)	(12,904)	(10,040)	(7,024)	(4,335)
Capital Receipts	(83,069)	(30,000)	(20,000)	-	-	-
Borrowing	-	(28,375)	(29,703)	(49,164)	(48,116)	(48,191)
<b>Total GF Capital Funding</b>	<b>(127,071)</b>	<b>(85,980)</b>	<b>(74,398)</b>	<b>(70,215)</b>	<b>(65,740)</b>	<b>(63,126)</b>

7.2.4 **Table 5** summarises the funding sources for the HRA that have been earmarked to apply to the delivery programme which includes a projection of £175.65m of new borrowing which will be fully financed from the revenue account.

**Table 5: Funding Sources for Housing Revenue Account – (£'000)**

<b>HRA Capital Financing</b>	<b>Revised Budget 2023-24</b>	<b>Budget 2024-25</b>	<b>Budget 2025-26</b>	<b>Budget 2026-27</b>	<b>Budget 2027-28</b>	<b>Budget 2028-29</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Major Repairs Reserve	(15,457)	(14,879)	(15,191)	(15,434)	(15,683)	(15,683)
Revenue	(13,900)	(15,443)	(15,615)	(14,072)	(16,123)	(16,123)
RTB Receipts	(2,118)	(2,140)	(2,161)	(2,183)	(2,149)	(2,149)
Reserves	(3,914)	-	-	-	-	-
Borrowing	(1,772)	(24,798)	(64,115)	(38,816)	(27,330)	(18,815)
<b>Total HRA Capital Financing</b>	<b>(37,162)</b>	<b>(57,260)</b>	<b>(97,082)</b>	<b>(70,504)</b>	<b>(61,285)</b>	<b>(52,770)</b>

### 7.3 FINANCING

7.3.1 The Council's capital expenditure plans are the key driver of treasury management activity. The primary function of the treasury management operation is to ensure the cash flow is adequately planned, with cash being available when needed to fund the Council's capital plans. These plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that it can meet its capital spending obligations. The contribution the treasury management function makes to the Council is critical, as the balance of debt and investment operations ensure liquidity and the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects.

#### Affordability Prudential Indicators

7.3.2 The Treasury Management Strategy covers the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances.

#### Ratio of financing costs to net revenue stream

7.3.3 This indicator identifies the trend in the cost of capital, (borrowing and other long-term obligation costs, net of investment income), against the net revenue stream. The estimates of financing costs include current commitments and the proposals in the budget report.

**Table 6: Ratio of financing costs to net revenue stream**

	2021-22 Estimate %	2022-23 Estimate %	2023-24 Estimate %	2024-25 Estimate %	2025-26 Estimate %
<b>Non-HRA</b>	11.4	16.4	17.7	17.6	17.0
<b>HRA</b>	13.7	13.1	12.6	13.7	17.1

7.3.4 The Council estimates that the non-HRA financing costs will be between 17.0% to 17.7% of net revenue over the next three years.

7.3.5 The Council is highly leveraged and has set aside considerable money to pay for Minimum Revenue Provision and interest costs. Any further borrowing for the Capital Programme will only add to the debt pile and further increase costs to the revenue account. This poses considerable future risks particularly to the revenue account because of servicing the debt.

7.3.6 It is always cost effective for the Council to utilise non-debt financing to fund the capital spend as this does not result in increased revenue costs which include Minimum Revenue Provision and interest charges. However, such alternative sources of funding are not always available to finance projects that are driven by

the Council's own priorities. If sufficient capital receipts or revenue are also not available, borrowing becomes a necessity.

### 7.3.7 Housing Revenue Account ratios

**Table 7- Housing Revenue Account ratios**

	2021-22 Estimate	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate	2025-26 Estimate
<b>HRA debt (£'000)</b>	334.3	322.0	320.5	345.3	409.4
<b>HRA debt cap (£'000)</b>	363.5	363.5	363.5	388.3	452.4
<b>HRA revenues (£'000)</b>	88.1	92.7	96.1	98.3	99.6
<b>Ratio of debt to revenues</b>	3.8	3.5	3.3	3.5	4.1

7.3.8 The Council estimates the Housing Revenue Account debt to revenue ratios to be between 3.3 to 4.1 over the next three years.

## **8. CAPITAL PROGRAMME GOVERNANCE**

### **8.1 OVERVIEW**

8.1.1 The Capital Internal Control Board (CICB) was established in 2022 in response to the recommendations within the RIPI 2 report. The CICB oversees the Capital Programme and acts as a programme board for the delivery of the overall capital programme, providing assurance on all the Council plans and strategies which impact the capital programme. The creation of the CICB has provided the basis for more strategic oversight of the Capital Programme than previously existed.

8.1.2 The CICB comprises cross-discipline members and representation from each directorate. It is chaired by the Director of Finance (Deputy s151 Officer) and includes the Director of Commercial Investment and Capital as a member. It can challenge and review capital bids before they are submitted to the Corporate Management Team (CMT), the Mayor and Cabinet for approval but does not itself currently have delegated authority as a governing entity to make decisions.

8.1.3 Oversight of the Capital Programme and the Asset Management Plan resides with CMT to ensure alignment of projects with strategic objectives and their contribution to financial sustainability prior to referral to the Mayor, Cabinet and Full Council for final approval. CMT comprises the Chief Executive and the Corporate Directors from the different directorates.

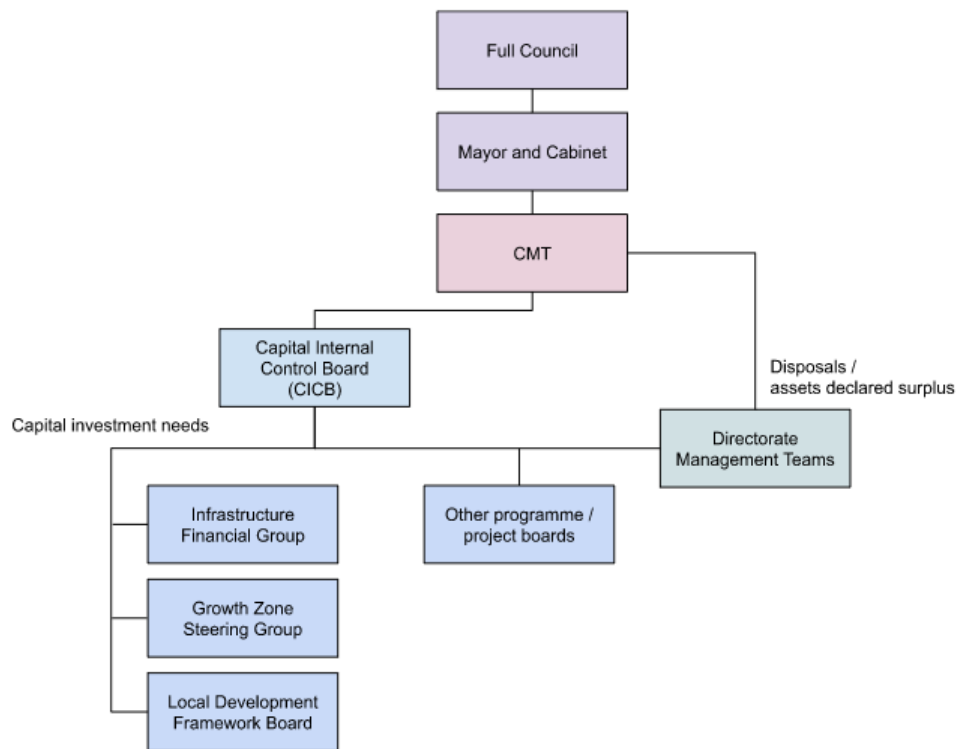
8.1.4 The Council has an established governance arrangement embedded within its current Constitution. Part 4H – Financial Regulations provide the governance framework for managing the Council’s financial affairs. They apply to all Members, officers of the Council and anyone acting on its behalf. It is likely to be considered a disciplinary offence to breach these Financial Regulations and procedures.

8.1.5 Under the Council’s Financial Regulations, the Chief Financial Officer is responsible for ensuring that a balanced revenue budget and capital programme and budget are prepared on an annual basis.

**8.2 GOVERNANCE SUMMARY**

8.2.1 The governance arrangements in relation to the Capital Programme are summarised in the diagram in **Figure 1**.

**Figure 1 - Capital Programme Governance Arrangements**



## 8.3 ROLES AND RESPONSIBILITIES

8.3.1 The Capital Internal Control Board (CICB) role is to act as the programme board for the delivery of the overall capital programme. It challenges and reviews capital bids before they are submitted for Council approval. It provides oversight and assurance of all Council Plans and Strategies which impact on the capital programme. It assures strategic alignment of the allocation of funding including S106 and CIL income.

8.3.2 The main responsibilities of the CICB are to:

- Ensure that appropriate governance and assurance is in place for the management of all capital projects and programmes including processes for project initiation, benefits identification, resource and risk management, and programme planning;
- Provide direction for matters escalated to it;
- Review and ensure appropriate mitigation for significant risks to delivery of the capital programme;
- Review and monitor delivery of the capital programme plan, including additions to the programme and consideration of interdependencies and pressures;
- Agree allocation of resources for feasibility studies and development of new projects (subject to formal Cabinet process as required).
- Recommend allocation of capital resources (subject to formal Council process as required);
- Have oversight of the Council's Asset Management Strategy and associated significant disposals and acquisitions;
- Drive and monitor the delivery of schemes and projects to ensure that capital is deployed on time and in a controlled manner;
- In respect of major projects and programmes within its remit, Capital ICB will assure itself that appropriate legal documentation, contracts and/or agreements are in place prior to making payments to third parties involved in the project or programme.
- The Board will monitor that contracts have been signed, that they are stored securely and that all legal requirements were met prior to the project proceeding.
- In respect of major projects and programmes within its remit, the Board will seek assurance that public procurement rules and UK obligations on subsidy control rules have been properly considered before entering into arrangements.

- CICB will identify opportunities to pause or remove capital expenditure from the Capital Programme.
- CICB will support the Council in assuring itself that an appropriate level of skills and knowledge is held across the Council to support capital delivery and monitoring, and support the identification and delivery of training as required.

## **8.4 DECISION-MAKING PROCESS**

- 8.4.1 CICB will evaluate the compliance of the proposed capital projects in the Capital Programme including the capital resources available to the Council, the revenue implications of the proposed expenditure and other relevant information. It will focus on the expected costs and financial sources identified and consider any risk to either the delivery or costs forecasts which will be recorded in the Council's corporate risk system following the review.
- 8.4.2 CICB will report and escalate to the CMT if tolerances are breached or likely to be breached in the following areas:
- Overspend on project budgets;
  - Timescale – where a project is going to exceed its agreed deadline;
  - Where funding (external) is at risk;
  - Scope, where significant change of scope or quality is proposed or agreed benefits are at risk of non-delivery; and
  - Risks or issues that pose significant risk to delivery.
- 8.4.3 A business impact analysis of the breaches of tolerance or proposed changes and clear recommendations will be prepared by the relevant Director when escalating to the CMT. The outcome of the approval with the decision required will be noted at the next available meeting. If a decision is urgent and required outside the timing of a Capital Board meeting, the Corporate Director of Resources (s151 Officer) in consultation with the Director of Finance (Deputy s151 Officer), as Chair, may take that decision outside of the meeting.
- 8.4.4 The CICB has the facility to draw upon external expertise where necessary and set up sub-groups and involve other officers as required to consider specific questions and/or undertake specific tasks and activities. Members of the CICB will be trained, as required, to provide the necessary knowledge and understanding to provide effective and constructive input to the meetings. In addition, the s106 Tracker (from the Infrastructure Group) is reviewed on a quarterly basis.
- 8.4.5 The CICB undertakes 'deep dives' into aspects of the capital programme that are of particular interest/significance, due to the amount of expenditure involved or emerging risks to delivery.



## **8.5 RISK REGISTER**

- 8.5.1 The CICB reviews the Risk Register on a quarterly basis. The Council has introduced the use of a project management system (Verto) and the CICB provides assurance that capital projects have been entered onto Verto and reviews the risks entered.
- 8.5.2 The risk register comprises different risk scenarios and their potential impact. A RAG (Red, Amber and Green) rating system is used to measure the level of risk. Each risk is identified with a scenario of its likelihood and impact and comprising details of the existing and future controls to manage risks which are regularly reviewed and updated to ensure management of the risk as the capital project progresses.

## **9. CAPITAL PROGRAMME MANAGEMENT AND MONITORING**

### **9.1 OVERVIEW**

- 9.1.1 The Capital Programme Management and Monitoring Framework supports the delivery of programmes by ensuring capital projects are delivered within budget and timescales. The Council has improved and developed the management and monitoring of the programme in response to recommendations from the RIPI reports and the current financial situation.

### **9.2 CURRENT ARRANGEMENTS**

- 9.2.1 The present system comprises the submission of a capital bid outlining the business case and providing details of the project overview and justification, route on delivering the project, evaluation of the financial benefits, meeting key prioritisation criteria and potential risks identified. It also comprises a detailed financial breakdown of gross expenditure, itemised funding requirements and profiling of repayment over the course of the capital project.
- 9.2.2 There is a capital monitoring sheet for the final submission of capital bids that comprises a financial breakdown detailing the financial performance of the Capital Programme in the areas including approved budgets, capital savings, forecasts, borrowings, proposed and unapproved project slippage and variance. There is also a delivery plan setting out the capital projects proposed pricing and specification, procurement strategy, tender process, approvals, implementation and timescales.
- 9.2.3 The capital bids are sent to CICB for challenge and review of capital bids before they are submitted for CMT, Mayor in Cabinet and Council approval. The S151 Officer is responsible for ensuring that there is an effective system for capital monitoring. This will ensure that capital investment is delivered on time and within allocated resources, whilst meeting the objectives and outcomes.

- 9.2.4 The Council have made incremental improvements to management and monitoring of the programme in response to the recommendations within the RIPI 2 report. The quality and assurance of the management and monitoring processes has improved and comprises project managers providing increased details within business cases to support capital project proposals, increased scrutiny within the capital bid process with increased qualitative questions being asked to provide frequent checks and control on projects.
- 9.2.5 The Council now has a more standardised, consistent and automated programme and project monitoring framework based on EPPMS (Electronic Project Proposal Management System). The Council has implemented Verto as its preferred EPPMS during 2023 with accompanying communication and training for project managers and key decision-makers across the Council, a priority activity as the Council seeks to strengthen and improve its capital framework.
- 9.2.6 The system supports the management, planning and execution of capital projects. It is able to manage a portfolio of capital projects across a range of teams and departments. The solution helps to coordinate and enhance workflow capabilities during the project initiation stage and project life cycle. The solution also helps to streamline areas including project budgeting, information management, risk analysis, escalation and project delivery and drive a consistent and more automated reporting to CICB on the capital programme's status to inform strategic decision-making.
- 9.2.7 The Council is continuing to develop its programme management and project monitoring framework by implementing a more mature approach to business case development based on clear governance gateways for both new projects and those already in the Capital Programme and reporting up through governance forums as projects progress.
- 9.2.8 The CICB is overseeing work to further improve capital governance arrangements and the preparation of business case templates in line with the Five Case Model. The Five Case Model is an approach for developing business cases recommended by HM Treasury and the UK Office of Government Commerce, and is widely used across central government departments and public sector organisations.

## LONDON BOROUGH OF CROYDON

<b>REPORT:</b>	<b>Scrutiny &amp; Overview Committee</b>	
<b>DATE OF DECISION</b>	<b>21 November 2023</b>	
<b>REPORT TITLE:</b>	<b>Quarterly Procurement Plan Update – December 2023</b>	
<b>CORPORATE DIRECTOR</b>	<b>Jane West, Corporate Director Of Resources And S151 Officer</b>	
<b>LEAD OFFICER:</b>	<b>Scott Funnell, Head Of Strategic Procurement And Governance</b>	
<b>LEAD MEMBER:</b>	<b>Councillor Jason Cummings, Cabinet Member For Finance</b>	
<b>AUTHORITY TO TAKE DECISION:</b>	The attached report was considered by the Mayor at the Cabinet meeting on 6 December 2023. The report has been included on this agenda as procurement is an area of interest for the Scrutiny & Overview Committee	
<b>CONTAINS EXEMPT INFORMATION?</b>	No	Public
<b>WARDS AFFECTED:</b>	All	

### 1. QUARTERLY PROCUREMENT PLAN UPDATE – DECEMBER 2023

- 1.1. Attached at Appendix A to this cover report is a report considered by the Mayor at the Cabinet meeting on 6 December 2023 presenting the latest quarterly update on the delivery of the Procurement Plan.
- 1.2. This report has been included on the agenda as procurement has previously been highlighted as an area of interest for the Scrutiny & Overview Committee.

### 2. RECOMMENDATIONS

- 2.1. The Committee is asked to: -
  1. Review the information provided in the Quarterly Procurement Plan report and
  2. Decide whether there are any concerns or recommendation it wishes to make to the Mayor on the content of the report
  3. Decide whether there are any areas where further scrutiny should be scheduled at a later date.

**CONTACT OFFICER:**

Simon Trevaskis – Senior Democratic Services & Governance Officer – Scrutiny

Email: [Simon.trevaskis@croydon.gov.uk](mailto:Simon.trevaskis@croydon.gov.uk)

**Appendix A: Cabinet Report – Quarterly Procurement Plan Update**

# LONDON BOROUGH OF CROYDON

<b>REPORT:</b>	<b>CABINET</b>
<b>DATE OF DECISION</b>	<b>6<sup>th</sup> December 2023</b>
<b>REPORT TITLE:</b>	<b>QUARTERLY PROCUREMENT PLAN UPDATE</b>
<b>CORPORATE DIRECTOR / DIRECTOR:</b>	<b>JANE WEST, CORPORATE DIRECTOR OF RESOURCES</b>
<b>LEAD OFFICER:</b>	<b>SCOTT FUNNELL, HEAD OF STRATEGIC PROCUREMENT AND GOVERNANCE</b>  Email: <a href="mailto:scott.funnell@croydon.gov.uk">scott.funnell@croydon.gov.uk</a>
<b>LEAD MEMBER:</b>	<b>CLLR CUMMINGS, CABINET MEMBER FOR FINANCE</b>
<b>KEY DECISION?</b>	<b>No</b>
<b>CONTAINS EXEMPT INFORMATION?</b>	<b>No</b>
<b>WARDS AFFECTED:</b>	<b>N/A</b>

## 1 SUMMARY OF REPORT

- 1.1 This report sets out the latest quarterly update to the Annual Procurement Plan 2023/24, with proposed additions and amends to the plan for the current year.

## 2 RECOMMENDATIONS

For the reasons set out in the report [and its appendices], the Executive Mayor in Cabinet is recommended:

- 2.1 to approve the update to the Annual Procurement Plan for 2023/24 as set out in Appendix A.
- 2.2 to approve the delegated decisions in the revised APP to those Lead Members or Officers as stated in Appendix A that includes the procurement strategy and award decisions, the duration of the contracts and contract values.
- 2.3 The delegated decisions shall only be exercised following recommendations from the Contracts & Commissioning Board, which include approval from both the Lead Cabinet Member and the Cabinet Member for Finance.

**2.4** To allow for minor changes to proceed whilst retaining the agreed delegated so long as none of the following thresholds for changes are exceeded:

- i. Contract value exceeds that proposed in the APP/Quarterly Update Report, by the lesser of £500K or 25%, or the new aggregate value exceeds £1m and it becomes a key decision
- ii. Substantial / material changes to procurement from that defined in the APP/Quarterly Update Report e.g. material risks are identified

(Should either of those thresholds be exceeded, the delegation cannot be exercised, and the decision shall be recommended to the Executive Mayor, unless a further delegation is approved. Where a delegated decision is a Key Decision to Officers, it must be made in consultation with the Lead Cabinet Member).

### **3 REASONS FOR RECOMMENDATIONS**

- 3.1** The Improving Procurement Governance Process Cabinet paper in November 2022 set out a rationale for establishing an Annual Procurement Plan, to simplify and accelerate approvals and ensuring a more strategic deployment of resources whilst maintaining decision making rigour.
- 3.2** Managing a proactive forward plan of procurement projects is fundamental to improving compliance and to ensure that contracts are re-let in time, and the APP approach is a key element of the Council's Procurement Improvement plan.

### **4 BACKGROUND AND DETAILS**

- 4.1** Procurement plans are subject to change throughout the duration of an Annual Procurement Plan, and so a quarterly update allows for any changes to be made and any new additions to be included.
- 4.2** Additions are either a new procurement that has been identified since the last version of the APP, whereas amendments are updates to existing APP entries.
- 4.3** For this quarterly update, there are 5 additions and 5 amendments to planned procurements with 4 additions and 1 amendment to contracts extensions and variations.
- 4.4** The reasons for the changes are included in the appendix, and the precise changes from the original APP are highlighted in yellow. The changes fall into the following categories:
  - New Procurement identified  
This is where Procurements to be undertaken this year have been identified since the original APP was published.

- Omission from original APP  
This is where there may have been oversights whilst compiling the original APP, or new information has come to light which wasn't available at the time.
- Contract will have expired before a re-procurement can take place  
This is where a contract should have been re-procured but this wasn't completed in time, and so an extension is required to the current contract to enable sufficient time to re-procure.
- Change in value, timescale or scope  
This is generally where the strategy for a procurement has changed since the previous APP update. This is also where an error in value, timescale or scope was made on a previous APP entry.

**4.5** It is important to note that procurement intentions are indicative and subject to change. For example, it may be the Council's intention to take up a permitted contract extension before the Council has agreed this with the incumbent provider.

**4.6** The APP is a forward plan for procurements so does not contain any risk analysis on individual projects. These however are considered within the individual reports for decision.

## **5 ALTERNATIVE OPTIONS CONSIDERED**

**5.1** No other options considered at this stage. The November 2022 Cabinet paper established this approach as the process for planning procurement activity and delegating procurement decisions.

## **6 CONSULTATION**

**6.1** Services across the Council have been consulted to ensure the accuracy of the APP updates. There is no requirement for external consultation as this is an internal process.

## **7. CONTRIBUTION TO COUNCIL PRIORITIES**

**7.1** The Mayor's Business Plan set out a requirement to review and manage Council contracts better. A proactive forward plan of procurements enables the Council to ensure that contracts are re-procured in a timely manner which is essential to managing a programme of activity, ensuring value for money and supporting the Council priority of balancing the books.

## **8. IMPLICATIONS**

### **8.1 FINANCIAL IMPLICATIONS**

**8.1.1** The amends to the Annual Procurement Plan set out in appendix A lists contracts that total £404,314,222. The existing governance processes need to be complied with to provide assurance that value for money will be delivered from these procurements.

**8.1.2** Comments approved by Lesley Shields, Interim Head of Finance – Resources & Assistant Chief Executive on behalf of the Corporate Director of Resources and S151 Officer (11.09.2023).

## **8.2 LEGAL IMPLICATIONS**

**8.2.1** The Executive Mayor has the power to exercise executive functions pursuant to s9E of the Local Government Act 2000 and has the power to delegate those functions. This report seeks relevant delegations to exercise executive functions.

**8.2.2** In relation to any contract and procurement strategy/ award/ variation decisions that are key decisions, any delegations to officers shall be limited to “Chief Officers” as defined in the Council’s Constitution, meaning: a) the Head of Paid Service; b) the Chief Finance Officer; c) the Monitoring Officer; d) a Statutory Chief Officer; e) a Non-Statutory Chief Officer. Corporate Directors fall within the definition of “Non-statutory Chief Officer”, which has the same meaning as in section 2(7) the Local Government and Housing Act 1989 and includes officers who directly report to the Head of Paid Service/ Chief Executive.

**8.2.3** At present the delegations in the Council’s Tenders and Contracts Regulations have been superseded by the Executive Mayor’s Scheme of Delegation following the introduction of the Mayoral Model.

**8.2.4** Comments approved by the Head of Commercial & Property Law on behalf of the Director of Legal Services and Monitoring Officer (1.11.2023).

## **8.3 EQUALITIES IMPLICATIONS**

**8.3.1** The Council has a statutory duty, when exercising its functions, to comply with the provisions set out in the Sec 149 of the Equality Act 2010. The Council must, in the performance of its functions, therefore, have due regard to:

- a. eliminate discrimination, harassment, victimisation, and any other conduct that is prohibited by or under this Act.
- b. advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it.
- c. foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

**8.3.2** When a service is contracted out both the contractor and the public authority that commissioned the service must give due regard to the three principles of the General Duty as set out above. Any supplier that is exercising public functions also has an obligation to fulfil the general duty.



**8.3.3** The Contract Management Framework is required to work within the framework of the Equality Strategy 2020- 2024. The deliverables in the Equalities Strategy should be incorporated into the Contract Management Framework and policy documents as detailed below:

“Outline how the proposed contract(s) will comply with the Public Sector Equality Duty outlined in Section 4 of the EQIA; and meet the outcomes of the Council’s equality strategy, particularly:

- i. All Council contracts contribute towards delivering our equality objectives.
- ii. Council contractors are inclusive and supportive of vulnerable groups.
- iii. Ensure that every strategy, delivery plan, council contract and staff appraisal have an equality objective linked to it.
- iv. That contractors be requested to adopt Croydon’s Equality and George Floyd Race Matters Pledges”.

**8.3.4** The Equalities Strategy including the Pledges named above, are provided to all bidders during the tendering stage of the procurement process. Social Value objectives also mirror the Council’s commitments to equalities and diversity.

**8.3.5** EQIAs will be completed in respect of each contract.

**8.3.6** Comment approved by Naseer Ahmed on behalf of Denise McCausland, Equalities Programme Manager (1.11.2023).

## **OTHER IMPLICATIONS**

### **8.4 HUMAN RESOURCES IMPLICATIONS**

**8.4.1** There are no immediate Human Resources implications arising from the content of this report. Should matters arise these will be managed under the Council’s HR policies and procedures.

**8.4.2** Approved by: Gillian Bevan, Head of HR Resources and Assistant Chief Executives Directorates on behalf of the Chief People Officer (1.11.2023).

## **9. APPENDICES**

**9.1** Appendix A - LBC Quarterly Procurement Plan Update December 2023

## **10. BACKGROUND DOCUMENTS**

**10.1** *Improving Procurement Governance* – November 2022 Cabinet

**10.2** *LBC Annual Procurement Plan 2022/23* – March 2023 Cabinet

**10.3** *LBC APP Quarterly Update* – June 2023 Cabinet

**10.4** *LBC APP Quarterly Update* – September 2023 Cabinet

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Event Name	Directorate	Procurement Intention	Total Contract Value	Contract Length (months)	Extension Period	Planned Event Date	Contract Start Date	Contract End Date	Recommended Approver for Procurement Strategy	Recommended Approver for Award / Extension	Key Decision	Reason for change
<b>ADDITIONS TO ANNUAL PROCUREMENT PLAN (PROCUREMENTS)</b>												
End User Services	ACE	Direct award from framework	£1,715,000	12	0	01/11/23	16/03/24	15/03/25	n/a	CD ACE	Yes	New Procurement Identified
Technology Enabled Care	ASCH	New Procurement	£500,000	12	0	20/12/23	01/06/24	31/05/25	CM ASCH	CD ASCH	No	New Procurement Identified
Pension Fund Global Custody Services	Resources	Re-procure	£700,000	120	0	23/11/23	01/04/24	31/03/34	CM Finance	CD Resources	No	New Procurement Identified
Young People and Care Leavers Service	Housing	Re-procure	£900,000	24	0	01/01/24	01/04/24	31/03/26	CM for Homes	CD Housing	No	Omission from original APP
Residual Grounds Maintenance Vehicles (Beavertails)	SCRER	New Procurement	£500,000	12	n/a	05/01/24	01/06/24	31/05/25	n/a	CD SCRER	No	Market conditions have led to removing these vehicles from the wider GM vehicle procurement and procuring seperately
Strategic Partner for CYPE services	CYPE	New Procurement	£1,000,000	24	n/a	30/01/24	01/04/24	31/03/26	CM for CYPE	CD CYPE	Yes	New Procurement Identified
PFI Older People Residential Care Homes	ASCH	New Procurement	£81,900,000	120	36	01/02/24	01/04/25	31/03/35	CM ASCH	CD ASCH	Yes	New procurement following internal review
Voids and disrepair	Housing	Direct award	£3,000,000	6	6	01/01/24	01/03/24	28/02/25	n/a	CD Housing	Yes	New Procurement Identified
Utilities Contract - Gas supply	Resources	Direct award from framework	£11,700,000	48	0	01/01/24	01/09/24	31/08/28	n/a	CD Resources	Yes	Change in approach to mitigate market risks
Oracle Cloud Fusion (My Resources) Licence and Support Strategy	Resources	Framework direct awards and a competition	£9,200,000	60	60	01/03/24	01/04/24	31/03/29	CM for Finance	CD Resources	Yes	Strategy for procurement for the overall support programme brought forward into this financial year
Library Bookstock	SCRER	Re-procure	£700,000	24	24	01/03/24	01/04/24	31/03/26	n/a	CD SCRER	No	Omission from original APP
<b>AMENDMENTS TO ANNUAL PROCUREMENT PLAN (PROCUREMENTS)</b>												
Emergency Accomodation Spend	Housing	New DPS	£270,000,000	120	n/a	01/01/24	01/09/24	31/08/34	CM for Homes	CD Housing	Yes	Change in value and procurement dates
Regina Road Construction	Housing	New Procurement	£100,000,000	24	0	01/03/24	01/12/24	31/11/2026	Cabinet	Cabinet	yes	Reduction in proposed contract value following consultancy report
Regina Road Demolition	Housing	New Procurement	£4,000,000	6	0	01/01/24	01/04/24	30/09/24	CM for Homes	CD Housing	yes	Focussing on Regina Road, no longer LPS, therefore reduction in value

Joint Children's Speech and Language Therapy and Occupational Therapy	CYPE	Reprocure	£6,202,500	36	24	09/11/23	01/02/24	31/01/29	CM for CYPE	CD CYPE	Yes	Update to value due to exclusion of health funding, and reduction in contract length. Also updated the tender date.
Utilities contract - Unmetered street lighting supply	Resources	Reprocure	£29,000,000	12	0	02/01/24	30/09/2024	29/09/2028	CM for Finance	CD Resources	Yes	Procurement brought forward
<b>ADDITIONS TO ANNUAL PROCUREMENT PLAN (EXTENSIONS AND VARIATIONS)</b>												
Croydon Carers Assessment, Health and Wellbeing Service	ASCH	Extend & Vary	£1,888,232	12	n/a	01/12/23	01/04/24	31/03/25	n/a	CD ASCH	Yes	Contract will have expired before a re-procurement can take place
GP and Pharmacy Health Checks Delivery	ACE	Extend & Vary	£1,043,840	12	n/a	01/12/23	01/01/24	31/12/24	n/a	CD ACE	Yes	Contract will have expired before a re-procurement can take place
Childrens Advocacy Service	CYPE	Extend & Vary	£629,650	10	n/a	31/11/2023	01/01/24	31/10/24	n/a	CD CYPE	No	Contract will have expired before a re-procurement can take place
PFI Older People Residential Care Homes	ASCH	Extend & Vary	£104,700,000	16	n/a	01/12/24	15/12/23	31/03/25	n/a	CD ASCH	Yes	Contract will have expired before a re-procurement can take place
Enhanced Learning Provisions	CYPE	Extend	£10,335,000	60	n/a	01/03/24	01/09/24	31/08/29	n/a	CD CYPE	Yes	Permitted extension, omission from original APP
Pest Control Control Contract Extension	Housing	Extend	£2,250,000	24	n/a	15/12/23	20/12/23	27/11/25	n/a	CD Housing	No	Permitted extension, omissions from original APP
<b>AMENDMENTS TO ANNUAL PROCUREMENT PLAN (EXTENSIONS AND VARIATIONS)</b>												
Street Homelessness Outreach and Resettlement Service	Housing	Extend & Vary	£1,900,000	11	n/a	01/12/23	01/01/24	30/11/24	n/a	CD Housing	Yes	Incorrect value on previous APP, dates updated
Young People and Care Leavers (YPCL)	Housing	Extend and Vary	£6,900,000	3	N/A	15/12/23	10/01/24	31/03/24	n/a	Corporate Director for Housing	No	Updated contract value and timescales
Single Homelessness Accomodation and Support	Housing	Extend & Vary	£4,000,000	11	n/a	01/12/23	01/01/24	30/11/24	N/A	CD Housing	Yes	Incorrect value on previous APP, dates updated

## LONDON BOROUGH OF CROYDON

<b>REPORT:</b>	Scrutiny and Overview Committee
<b>DATE</b>	16 January 2024
<b>REPORT TITLE:</b>	Scrutiny Recommendations
<b>LEAD OFFICER:</b>	Simon Trevaskis – Senior Democratic Services & Governance Officer - Scrutiny
<b>PERSON LEADING AT SCRUTINY COMMITTEE MEETING:</b>	Councillor Rowenna Davis – Chair of the Scrutiny & Overview Committee
<b>ORIGIN OF ITEM:</b>	<p>The Scrutiny &amp; Overview Procedure Rules in the Council’s Constitution requires recommendations from Scrutiny Sub-Committee’s to be submitted to the Committee for its comment and consideration, before approving their submission to the appropriate decision maker.</p> <p>The Cabinet response to recommendations made by the Scrutiny &amp; Overview Committee is provided for the Committee’s information.</p>
<b>BRIEF FOR THE COMMITTEE:</b>	<p>The Scrutiny &amp; Overview Committee is asked to</p> <ol style="list-style-type: none"> <li>1. Review the response provided by Mayor to recommendations made by the Scrutiny &amp; Overview Committee.</li> </ol>
<b>PUBLIC/EXEMPT:</b>	Public

### 1 SUMMARY

- 1.1. This report also sets out the response from the Mayor in Cabinet to recommendations made by the Scrutiny & Overview Committee. This is provided for the information of the Committee.

### 2 APPENDICES

- 2.1. Appendix 1, 2 & 3: Cabinet Response to Recommendations made by the Scrutiny & Overview Committee.

### 3 CABINET RESPONSE TO SCRUTINY RECOMMENDATIONS

- 3.1 The rights of scrutiny to make recommendations to the Cabinet, Council, non-Executive Committee, Partner Agency or Partnership Board is set out in Section 8 of Part 4E – Scrutiny and Overview Procedure Rules of the Council’s Constitution.

- 3.2 When making a recommendation to the Cabinet, a response needs to be given within two months to confirm whether the recommendation has been accepted or not. If accepted, this response should include how the recommendation will be implemented.
- 3.3 To ensure the Committee can monitor the response given to its recommendations, this report will be included as a standing item on each agenda, setting out in Appendices 2 and 3, the response from the Cabinet to the recommendations of the Committee.
- 3.4 The Committee is asked to note the responses given.

**Appendix 3 – Item: Month 11 Financial Performance Monitoring Report**

2023-24 Considered by Scrutiny & Overview Committee on 22 May 2023

REC No.	SCRUTINY RECOMMENDATION	DEPARTMENT AND CABINET MEMBER RESPONDING	ACCEPTED / PARTIALLY ACCEPTED / REJECTED (inc. reasons for rejection)	IDENTIFIED OFFICER	ANY FINANCIAL IMPLICATIONS	TIMETABLE FOR IMPLEMENTATION OF RECOMMENDATIONS IF ACCEPTED (i.e. Action Plan)	DATE OF SCRUTINY MEETING TO REPORT BACK
SOC.3.23/24	The Scrutiny & Overview Committee recommends that, given the precarious nature of the Council's finances, the process for publishing monthly Financial Performance Monitoring reports is sped up, with the aim of achieving a maximum turnaround of eight week to finalise checks and go through the sign-off process before publication.	Councilor Jason Cummings  Resources	<p style="text-align: center;">Rejected</p> <p>The process time for preparing accurate forecasts after the end of a period and allowing for the quality assurance stages of CMT and MAB do not allow the Council to be able to commit to a maximum turnaround of eight weeks. However, a new webpage has been added to the Council's internet site for "Corporate Performance and Finance Reporting" (<a href="https://www.croydon.gov.uk/council-and-elections/council-leadership-committees-and-meetings/committees-boards-and-meetings/corporate-performance-and-finance-reporting">https://www.croydon.gov.uk/council-and-elections/council-leadership-committees-and-meetings/committees-boards-and-meetings/corporate-performance-and-finance-reporting</a>). The monthly Financial Performance reports are now published as soon as they are signed off by the Executive Mayor, rather than waiting to be published with the Cabinet papers. This allows for more timely viewing by the public and Scrutiny &amp; Overview Committee.</p>	Jane West, Corporate Director of Resources & S151 Officer	N/A	The Corporate Performance and Finance Reporting webpage on the Council's website has been set up and monthly finance reports since Month 10 of 2022-23 have been uploaded.	TBC

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**Appendix 4 – Item: Annual Asset Disposal Plan 2023-24**

Considered by Scrutiny & Overview Committee on 22 May 2023

REC No.	SCRUTINY RECOMMENDATION	DEPARTMENT AND CABINET MEMBER RESPONDING	ACCEPTED / PARTIALLY ACCEPTED / REJECTED (inc. reasons for rejection)	IDENTIFIED OFFICER	ANY FINANCIAL IMPLICATIONS	TIMETABLE FOR IMPLEMENTATION OF RECOMMENDATIONS IF ACCEPTED (i.e. Action Plan)	DATE OF SCRUTINY MEETING TO REPORT BACK
SOC.4.23/24	The Scrutiny & Overview Committee recommends that the process of adding assets to the disposal list should, as a minimum, include notifying ward councillors and where those assets are in use or occupied, there should be active engagement with ward councillors, and where appropriate the local community, to understand and manage the local implications of the sale..	Councilor Jason Cummings Resources	<p>Rejected</p> <p>These assets are proposed for disposal following a process of review approved by Cabinet.</p> <p>All councillors are informed of the asset disposals being proposed for the Mayor to approve in Cabinet when the Cabinet reports are circulated.</p> <p>Where assets are in use, attempts are made to inform occupiers in advance of the Cabinet papers being published.</p>	Jane West, Corporate Director of Resources & S151 Officer	N/A	Completed	TBC
SOC.5.23/24	The Scrutiny & Overview Committee recommends that any users of assets are notified as soon as possible after they have been agreed for disposal by the Mayor, to allay any anxiety about the uncertainty on the future of their service and to give them the opportunity to present any business case that may be in the long term financial and public interests of the Council.	Councilor Jason Cummings Resources	<p>Rejected</p> <p>The Council already notifies current tenants of the intention to sell properties which are being sold without vacant possession and as a going concern</p>	Jane West, Corporate Director of Resources & S151 Officer	N/A	Completed	TBC

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## Appendix 5 – Item: Executive Mayor of Croydon – Scrutiny Update

Considered by Scrutiny & Overview Committee on 6 June 2023

REC No.	SCRUTINY RECOMMENDATION	DEPARTMENT AND CABINET MEMBER RESPONDING	ACCEPTED / PARTIALLY ACCEPTED / REJECTED (inc. reasons for rejection)	IDENTIFIED OFFICER	ANY FINANCIAL IMPLICATIONS	TIMETABLE FOR IMPLEMENTATION OF RECOMMENDATIONS IF ACCEPTED (i.e. Action Plan)	DATE OF SCRUTINY MEETING TO REPORT BACK
SOC.6.23/24	The Committee welcomed confirmation from the Mayor that performance indicators to track the delivery of Mayor's Business Plan would be forthcoming, the Committee recommends that consideration be given to indicators so that they clearly demonstrate the tangible benefits delivered for residents as a result of the Plan.	Executive Mayor Jason Perry	Rejected - Already in progress  The updated suite of performance indicators aligned to the Mayor's Business Plan will be shared with the Scrutiny Committee for consideration prior to adoption at Cabinet. The development of the new performance framework is in progress and the indicators have been designed to reflect outcomes for residents wherever possible.	Katherine Kerswell, Chief Executive and Head of Paid Service	N/A	Performance against the corporate performance indicators will be reported to Cabinet on a quarterly basis.	26 <sup>th</sup> September 2023
SOC.7.23/24	The Committee understood the open-ended nature of the consultation process for Public Space Protection Orders to report concerns so residents would continue to do this, but also felt that a current timeline / deadline be provided, perhaps of six months after its enactment, to give residents clarity about when the scheme would be reviewed and potentially amended.	Councillor Ola Kolade  SCRER	Partially Accepted – A 2-month review was outlined in the Cabinet report and decision to implement, and this is currently underway. There will then be a review on a 6-monthly basis.	Kristian Aspinall, Director of Culture & Community Safety	N/A	N/A	TBC

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## LONDON BOROUGH OF CROYDON

<b>REPORT:</b>	<b>Scrutiny &amp; Overview Committee</b>	
<b>DATE OF DECISION</b>	<b>16 January 2024</b>	
<b>REPORT TITLE:</b>	<b>Scrutiny Work Programme 2023-24</b>	
<b>CORPORATE DIRECTOR / DIRECTOR:</b>	<b>Stephen Lawrence-Orumwense Director of Legal Services and Monitoring Officer</b>	
<b>LEAD OFFICER:</b>	<b>Simon Trevaskis Senior Democratic Services &amp; Governance Officer - Scrutiny</b>	
<b>LEAD MEMBER:</b>	<b>Councillor Rowenna Davis - Chair of the Scrutiny &amp; Overview Committee</b>	
<b>AUTHORITY TO TAKE DECISION:</b>	In accordance with paragraph 6.7 (vi) of Part 4E - Scrutiny and Overview Procedure Rules, in the Council's Constitution, the Committee should receive an update on the work programme at each meeting.	
<b>CONTAINS EXEMPT INFORMATION?</b>	<b>No</b>	Public
<b>WARDS AFFECTED:</b>	N/A	

### 1. SCRUTINY WORK PROGRAMME 2023-24

- 1.1. This report sets out for the information of the Scrutiny & Overview Committee the most recent version of the work programmes for the Committee and its Sub-Committees.
- 1.2. This follows on from a report considered by the Committee at its meeting on 25 July 2023, which agreed that the financial sustainability of the Council would be a key focus. It was also agreed that the following principles would be used as the basis for the work programme:-
1. **The Public's Money.** Scrutiny wants reassurance that taxpayers' money is put to best use. At a time when the Council is making cuts to balance the books, it has no money to waste. In the middle of a cost-of-living crisis, every pound of public money should be valued. Scrutiny will aim to look at the impact of any financial decisions on the public and the Council's finances, including knock-on effects. We will aim to research best practice and to provide suggestions as well as criticism.
  2. **The Public's Services.** Scrutiny wants reassurance that services are improving. This is about leadership, culture and organisation as much as it is about budgets.

We will seek reassurance that even in difficult financial circumstances, we are still meeting our duty of care to the most vulnerable. Scrutiny will listen and learn from the public's experiences of service performance to guide its work on Croydon's transformation.

3. **The Public's Voice.** Scrutiny wants to make sure that the Council is transparent, open and engaging with the people it exists to serve. Scrutiny will monitor the planned improvements in governance for Croydon's local democracy, as well as inviting public voices into the Scrutiny process itself. The Mayor was elected on a mandate to "listen to Croydon" and Scrutiny will hold the executive to account for this pledge.

- 1.3. Any changes made to the work programme during the year, should reflect these agreed priorities.

## **2. RECOMMENDATIONS**

- 2.1. The Scrutiny & Overview Committee is asked to: -

1. To note the most recent version of the Work Programme.
2. Consider whether there are any other items that should be provisionally added to the work programme as a result of the discussions held during the meeting.

## **3. REASONS FOR RECOMMENDATIONS**

- 3.1. Setting a work programme to guide Scrutiny throughout the year is a requirement in the Council's Constitution and considered to be best practice. Adjustments can be made to the work programme throughout the year and are agreed by the Scrutiny Chairs & Vice-Chairs, in line with the arrangements in the Constitution, and an update provided at each Committee meeting.

## **4. ALTERNATIVE OPTIONS CONSIDERED**

- 4.1 None. It is a requirement in the Council's Constitution for the Scrutiny & Overview Committee to have a clearly defined work programme for itself and its sub-committees at the start of each municipal year.

## **5 CONSULTATION**

- 5.1 Each of the sub-committee's has had the opportunity to review their respective work programmes at each meeting. Scrutiny Chairs will also meet regularly with officers to review the programme.

## **6. CONTRIBUTION TO COUNCIL PRIORITIES**

- 6.1 This report contributes to priority 1: The Council balances its books, listens to residents and delivers good sustainable services.

## **7. APPENDICES**

### **7.1 Appendix 1: Scrutiny Work Programme 2023-24**

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## Scrutiny & Overview Committee

The below table sets out the working version of the Scrutiny & Overview Committee work programme. The items have been scheduled following discussion with officers and may be subject to change depending on any new emerging priorities taking precedent.

Meeting Date	Item	Scope	Directorate & Lead Officer
22 May 2023	Annual Asset Disposal Strategy		
	Waste & Street Cleansing Contract		
	Month 11 2023-23 FPM Report		
6 June 2023	Executive Mayor of Croydon – Scrutiny Update	The Mayor to provide an overview of his key achievements over the past year and outline his priorities for the year ahead to include: - <ul style="list-style-type: none"> <li>- How they will be delivered</li> <li>- The main risks to delivery and how these are being managed.</li> </ul>	Assistant Chief Executive Directorate David Courcoux
	Scrutiny Work Programme & Annual Report	The Committee to agree the work programme for itself and its Sub-Committees for the year ahead and agree the Scrutiny Annual Report for submission to Council.	Resources Simon Trevaskis
25 July 2023	Month 2 2023-24 FPM Report	This report is provided for the Committee to seek assurance on the delivery of 2023-24 budget.	Allister Bannin Resources

	Equalities Strategy	Pre-decision discussion on the principles for the forthcoming refresh of the Council's Equalities Strategy.	David Courcoux Assistant Chief Executive
26 September 2023	People & Cultural Transformation Strategy	The Committee has requested to review the action plan created to guide the delivery of the Strategy, along with the performance measures that will be used to determine the success of the strategy. The report will also include a specific focus on measures to improve recruitment and retention at the Council.	Dean Shoemith Assistant Chief Executive
	Mayor Business Plan 2022-26 quarterly performance report	This report is provided for the Committee to review and comment upon the proposed performance indicators to be used to monitor the delivery of the Mayor's Business Plan.	Caroline Bruce Assistant Chief Executive
	P3 financial performance report	This report is provided for the Committee to seek assurance on the delivery of 2023-24 budget.	Allister Bannin Resources
6 October 2023	The Colonnades, 619 Purley Way, Croydon, CR0 4RQ - Asset Disposal	To conduct pre-decision scrutiny on the asset disposal decision.	Huw Rhys-Lewis Resources
24 October 2023	Annual Complaints Report	The Committee will be presented with the Annual Complaints report for the Council for its information	Kim Hyland Assistant Chief Executive
	The Redevelopment of Purley High Street Carpark and Leisure Centre	To consider the Cabinet report on the Redevelopment of Purley High Street Carpark and Leisure Centre	Huw Rhys-Lewis Resources

	MTFS & Budget Proposals	To scrutinise the updated MTFS and Budget Proposals of the Administration, as set out in 25 October 2023 Cabinet report.	Jane West Resources
	P4 financial performance report	This report is provided for the Committee to seek assurance on the delivery of 2023-24 budget.	Allister Bannin Resources
21 November 2023	Exit Strategy	To consider the Improvement & Assurance Panel's Exit Strategy for Croydon	Katherine Kerswell Chief Executive
	Crime & Disorder Item	To review the Community Safety Strategic Assessment	Christopher Rowney SCRE
	Disposals- second tranche	To scrutinise the updated MTFS and Budget Proposals of the Administration, as set out in 25 October 2023 Cabinet report.	Huw Rhys-Lewis Resources
	P5 financial performance report	This report is provided for the Committee to seek assurance on the delivery of 2023-24 budget.	Allister Bannin Resources
16 January 2024	Budget Setting Update	To receive a presentation from the S151 Officer on the progress made with setting the 2024-25 Budget.	Jane West Resources
	Capital Programme & Capital Strategy	To review the capital programme and capital strategy as part of the budget scrutiny process.	Allister Bannin Resources
	Quarterly Procurement Plan Update	To review the latest quarterly procurement plan update.	Scott Funnell Resources

	P7 financial performance report	This report is provided for the Committee to seek assurance on the delivery of 2023-24 budget.	Allister Bannin Resources
6 February 2024	Final Budget Scrutiny Session	To review the final Budget Report ahead of finalising Scrutiny's views on the budget proposals.	Jane West Resources
	P8 financial performance report	This report is provided for the Committee to seek assurance on the delivery of 2023-24 budget.	Allister Bannin Resources
22 April 2024	Contracts & Procurement	A review learning lessons from previous Council contracts.	
	Customer Service Journey	To review the customer journey through across the Council	
	Community & Voluntary Sector	To review the progress made with resetting the Council's relationship with the Community & Voluntary Sector.	

### Items of Interest

The following items haven't been scheduled into the work programme but are highlighted areas of further scrutiny during the year ahead.

Unallocated Items	Notes
Climate Change Scrutiny	
Town Centre	To review plans for the town centre
Electoral Administration	To review plans for the delivery of 2024 London Mayoral Elections

Crime & Disorder Item

To review the Community Safety Strategic Assessment

## Children & Young People Sub-Committee

The below table sets out the working version of the Children & Young People Sub-Committee work programme. The items have been scheduled following discussion with officers and may be subject to change depending on any new emerging priorities taking precedent.

Meeting Date	Item	Scope	Directorate & Lead Officer
27 June 2023	Update on Antenatal and Health Visiting Visits	To receive an update on Antenatal and Health Visiting.	Children, Young People, Education and Health  Jane McAllister
	<b>Cabinet Report - Maintained Nursery Schools Report</b>	To receive the upcoming June Cabinet Report outlining the current position in relation to Croydon's Maintained Nursery Schools and options for the future provision of this in Croydon. The report sets out why this is required as a result of decreasing funding for Maintained Nursery Schools (MNS) and the impact that this is having on the budget situation for all of the Council's MNS settings.	Children, Young People, Education and Health  Shelley Davies
10 October 2023	Youth Justice Plan 23/24	To scrutinise the Council's statutory Youth Justice Plan for 2023/24.	Children, Young People & Education  Róisín Madden
	Youth Safety Delivery Plan	To scrutinise the Cabinet report scheduled for September 2023, looking at the Council's work over the previous 12 month period to deliver on the Mayor's commitment to making Croydon's streets safer for young people,	Children, Young People & Education

		the plan for the next three years of action, and the commitments to partnership working with the voluntary sector and community to tackle violence.	Debbie Jones
14 November 2023	Croydon Safeguarding Children Partnership - Annual Report 2022-23	<p>The Children &amp; Young People Sub-Committee is asked to: -</p> <ol style="list-style-type: none"> <li>1. Note the Croydon Safeguarding Children Partnership Annual Report 2022-2023</li> <li>2. Consider whether there are any considerations or concerns it may wish to submit to the Cabinet as to whether the Annual Report provides sufficient reassurance on the performance and effectiveness of the Croydon Safeguarding Children Partnership.</li> <li>3. Consider whether the Sub-Committee has any comments or suggestions on the Croydon Safeguarding Children Partnership Annual Report 2023-2024 ahead of its development in the following year.</li> </ol>	<p>Children, Young People &amp; Education</p> <p>Debbie Jones</p>
23 January 2024	Budget Scrutiny Challenge	<p>The Children &amp; Young People Sub-Committee is asked to review the information provided on identified budget proposals (<b>2024-28 SAV CYPE 003, 2024-28 SAV CYPE 001</b>) and reach a conclusion on the following:-</p> <ol style="list-style-type: none"> <li>1. Are the savings deliverable, sustainable and not an unacceptable risk.</li> <li>2. Is the impact on service users and the wider community understood.</li> <li>3. Have all reasonable alternative options been explored and do no better options exist.</li> </ol>	<p>Children, Young People &amp; Education</p> <p>Debbie Jones</p>

	Cabinet Report - Education Estates Strategy	For the Sub-Committee to consider whether there are any considerations or concerns it may wish to submit to the Cabinet during its consideration of the Strategy.	Children, Young People & Education Shelley Davies
19 March 2024	Update on Antenatal and Health Visiting Visits	To receive an update on Antenatal and Health Visiting.	Children, Young People, Education and Health Jane McAllister
	Cabinet Report - Education Standards 2023	For the Sub-Committee to receive the summarised performance of children and young people in Croydon schools for the academic year 22/23.	Children, Young People & Education Shelley Davies

### Standing Items:

**Early Help, Children's Social Care and Education Dashboard & Health Visiting KPI Data** - To receive the Early Help, Children's Social Care and Education Dashboard and quarterly Health Visiting KPI Data.

### Items of Interest

The following items haven't been scheduled into the work programme but are highlighted as potential items of interest to be scheduled during the year ahead.

Unallocated Items	Notes
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Recruitment and Retention	<p>To review Staff Caseloads, AYSE Caseload Sharing and the number of supervisions carried out.</p> <p>To receive a breakdown of vacancies and caseloads by individual teams and to look at London Councils best practise for recruitment and retention.</p> <p>To undertake direct engagement with social workers</p> <p>To look at how feedback from exit interviews can be incorporated into retention strategies</p>
Apprenticeships & Youth Unemployment	To look at the offer of available apprenticeships in the borough and data on youth unemployment.
OFSTED Reports	To review any OFSTED reports as and when they are available.
Delivery of Early Years Strategy	To review the delivery and implementation plan of the Early Years Strategy
SEND Strategy	To review the implementation of the SEND Strategy
Surplus Schools Places	To review the Surplus Schools Places report
Free School Meal offer in Croydon	To scrutinise the provision of free school meals in the borough through the Mayor of London scheme.
Cabinet Report – Maintained Nursery Schools	To conduct pre-decision scrutiny on the next Cabinet Report on Maintained Nursery Schools, following officers' consideration of sustainable future models.
Youth Justice Plan 24/25	To scrutinise the Council's statutory Youth Justice Plan for 2024/25.

## Homes Sub-Committee

The below table sets out the working version of the Health & Social Care Sub-Committee work programme. The items have been scheduled following discussion with officers and may be subject to change depending on any new emerging priorities taking precedent.

Meeting Date	Item	Scope	Directorate & Lead Officer
24 July 2023	Housing Transformation Programme	To receive an update on the delivery of the Housing Transformation Programme	Lara Ashley
	Housing Strategy	Pre-Decision – To have an early discussion on the principles underlying the forthcoming Housing Strategy	Lara Ashley
	Mobilisation of the Responsive Repairs Contracts	To receive an update on the de-mobilisation/mobilisation of the response repair contracts.	Jerry Austin
23 October 2023	Update on the Development of the HRA Business Plan	To provide the Sub-Committee with the opportunity to comment on the principles underlying the development of the forthcoming Housing Revenue Account Business Plan. This will include an update on the Asset Management Strategy and rent increases	
	Residents Engagement Strategy	To provide the Sub-Committee with the opportunity to feed into the develop of the Residents Engagement Strategy.	
	Housing Strategy	To review the proposed Housing Strategy ahead of its consideration by Cabinet and Full Council.	

29 January 2024	HRA Business Plan & Budget 2023-24		
	Temporary/Emergency Accommodation Budget Deep Dive		
	Housing Finance Update	To receive financial update on the latest position of the Housing General Fund and Housing revenue Account budgets.	
16 April 2024	Consumer Regulation		
	Review of the Culture Change	To review the culture change workstreams within the Housing Transformation Programme.	
	Housing Finance Update	To receive financial update on the latest position of the Housing General Fund and Housing revenue Account budgets.	

### Areas to schedule

The following items haven't been scheduled into the work programme but have been previously identified as areas of scrutiny to be scheduled during the year ahead.

Unallocated Items	Notes
Regina Road	
Update on the implementation of NEC system	Potential briefing
Update on savings delivery	Standard item on each agenda.



## Health & Social Care Sub-Committee

The below table sets out the working version of the Health & Social Care Sub-Committee work programme. The items have been scheduled following discussion with officers and may be subject to change depending on any new emerging priorities taking precedent.

Meeting Date	Item	Scope	Directorate & Lead Officer
20 June 2023	Front Runner Pilot Scheme	The Health & Social Care Sub-Committee is presented with a report on the Discharge Integration Frontrunner programme, which aims to bring together transformation efforts from across Croydon to develop an effective, integrated system across hospital, social and community care.	Adults Richard Eyre
	HSC Work Programme	To discuss areas of scrutiny for inclusion in the Sub-Committee work programme in 2023-24	
3 October 2023	Croydon Safeguarding Adults Board – Annual Report	To review and comment upon the Croydon Safeguarding Adults Board annual report ahead of its consideration by the Mayor in Cabinet	Adult Safeguarding Denise Snow
	Transformation Update	To receive an update on the delivery of the three-year transformation programme in Adult Social Care.	Adults Richard Eyre
30 January 2024	ASC Budget deep-dive	The Health and Social Care Sub-Committee is asked to review the information provided on budget proposals.	Adults Richard Eyre
	ASC Transformation	Discussion on the new Transformation Programme <ul style="list-style-type: none"> <li>How do we transition from the existing operational model to the new one?</li> </ul>	

		<ul style="list-style-type: none"> <li>• How the programme fits into the budget?</li> <li>• Update on the procurement of the delivery partner.</li> </ul>	
12 March 2024	CQC Assurance	To receive an update on the CQC Assurance process.	Adults Richard Eyre

### Areas to schedule

The following items haven't been scheduled into the work programme but have been previously identified as areas of scrutiny to be scheduled during the year ahead.

Unallocated Items	Notes
A review of the cost of out of borough placements	Arising from the discussion on mental health provision in the borough
Commissioning for Community Sexual Health Services	To feed into the commissioning process of community sexual health services by the Public Health team.
Dementia Strategy	
CAMHS & SLAM	A review of the mental health services available for young people focusing on the transition between services.
Menopausal Health Services	To review the availability of menopausal services in the borough
Integrated Care System	To review the impact of the new ICS approach to services in the borough.

Dental Services	To review the provision of dental services in the borough.
Prostate Cancer Services	

## Streets & Environment

The below table sets out the working version of the Streets & Environment Sub-Committee work programme.

Meeting Date	Item	Scope	Directorate & Lead Officer
11 July 2023	Pre-Decision: Parking Policy Transformation Project	To conduct pre-decision scrutiny on the upcoming Cabinet report covering the Parking Policy Transformation Project.	Sustainable Communities Regeneration & Economic Recovery Steve Iles
	Consultation on the Local Flood Risk Management Strategy	To receive a presentation on the forthcoming consultation on updating the Council's Flood Risk Plan, so that the Sub-Committee can provide feedback and input into its development.	Sustainable Communities Regeneration & Economic Recovery Nick Hibberd
1 November 2023	Air Quality Action Plan 2023-2028	To receive a presentation on the Council's Air Quality Action Plan 2023-2028 to allow the Sub-Committee to provide early feedback in advance of the full report to Cabinet in December 2023.	Sustainable Communities



			Regeneration & Economic Recovery Nick Hibberd
	Cleaner Croydon	To receive an update on the Council's work on the Mayor's priority for delivering 'Cleaner Croydon'. The Sub-Committee will also receive feedback on its recommendations concerning the Waste & Recycling Contract.	Sustainable Communities Regeneration & Economic Recovery Karen Agbabiaka
	Local Plan Review	For the Sub-Committee to receive a detailed presentation on the review of the Local Plan 2023/24, to facilitate Members to influence the content of the Local Plan Review ahead of its journey on to Cabinet and Council.	Sustainable Communities Regeneration & Economic Recovery Steve Dennington
30 January 2024	Budget Scrutiny Challenge	The Sub-Committee is asked to review the information provided on three budget proposals (identified below) and reach a conclusion on the following:- <ol style="list-style-type: none"> <li>1. Are the savings/growth deliverable, sustainable and not an unacceptable risk.</li> <li>2. Is the impact on service users and the wider community understood.</li> <li>3. Have all reasonable alternative options been explored and do no better options exist.</li> </ol>	Sustainable Communities Regeneration & Economic Recovery Nick Hibberd

		<p><b>Areas for deep dives in the above report:</b></p> <ul style="list-style-type: none"> <li>• 2024-28 SAV SCRER 002 - Fees and charges - Changes to parking policy – (<i>Information on process being followed to achieve these savings</i>)</li> <li>• 2024-28 GRO SCRER 003 - SEND Transport – Student Number Cost Driver</li> <li>• 2024-28 SAV SCRER 006 - Deferral of growth in highways maintenance</li> </ul>	
	Local Development Scheme and Infrastructure Funding Statement	To scrutinise any outstanding Local Plan issues not covered in the November Sub-Committee, the Local Development Scheme and Infrastructure Funding Statement.	<p>Sustainable Communities Regeneration &amp; Economic Recovery</p> <p>Heather Cheesbrough, Steve Dennington</p>
2 April 2024	Climate Change Action Plan	To review and provide feedback on the Council’s Climate Action Plan & Biodiversity Strategy	<p>Sustainable Communities Regeneration &amp; Economic Recovery</p> <p>Nick Hibberd</p>

	Waste contract procurement award- May 2024	To scrutinise the Waste contract procurement award.	Sustainable Communities Regeneration & Economic Recovery Karen Agbabiaka
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### Standing Items:

Work Programme Item	Notes
Financial Monitoring for SCRER	Standing Item tracking progress with the delivery of 2023/24 Budget using the latest Cabinet Financial Performance report (To review by exception).

### Items of Interest

The following items haven't been scheduled into the work programme but are highlighted as potential items of interest to be scheduled during the year ahead.

Unallocated Items	Scrutiny Officer Notes
Environment Bill Responsibilities	To review the additional responsibilities that will fall upon the Council following the adoption of the Environment Bill.
Implications of the Levelling Up and Regeneration Bill	To review the possible implications of the Levelling Up and Regeneration Bill
Protection of green spaces and parks	To look at the protection of parks and green spaces in the borough, including the support fund and Council strategy.

Clean Water and Sewage (Thames Water)	To look at the water quality in the borough and the risks of contamination from sewerage.
Public Transport, Active Transport, Road Safety & School Streets	To look at the strategy for Transport, Active Transport, Healthy Streets & School Streets in the borough, alongside Road Fatalities & Speed Limits
Transformation of Independent Travel	To review the transformation of the Independent Travel Service – End of 2023/24.
Climate Action Plan/Vision Zero	To scrutinise the Council's plans around Climate Change and achieving Vision Zero.
Enforcement Policy & Planning Enforcement (Provisional June 2024)	To inform the Sub-Committee on the Enforcement powers available to the Council, as well as information on how enforcement is being undertaken and resourced.
Bus Shelters & Street Lighting	Further scoping needed
Cleaner Croydon/Blitz Clean Update	To receive an update on work towards achieving the Mayor's priority for delivering 'Cleaner Croydon', and to monitor whether the blitz clean programme was successful and having a sustained impact on district centres, alongside data on the number of businesses and residents engaged during the cleans.
(January) Cabinet Report - Building Control Transformation Report	To scrutinise the upcoming Cabinet Report on Building Control Transformation, following the Sub-Committee's deep dive on the Building Control budget in January 2023, and to examine whether the department is operationally resilient, but also financially viable, sustainable, and efficient.
(February) Cabinet Report – Future of Experimental Healthy Neighbourhoods	To receive and scrutinise the Cabinet report on the future Experimental Healthy Neighbourhood schemes, alongside a short update on Cycle Lanes & Schools Streets.

(plus short update on Cycle Lanes & Schools Streets)	
(January) Cabinet Report - Croydon Town Centre Regeneration Programme and Growth Zone annual budget and programme FY 24/25	For the Sub-Committee to receive the report updating Members on the status of the current and upcoming Croydon Town Centre regeneration programme, and to scrutinise the proposed annual Growth Zone budget and high-level programme for 2024/25 and evaluate whether this will achieve the required additional funding to positively contribute to the Council's financial position.
Update on Air Quality Action Plan	To receive an update on the Air Quality Action Plan considered by the Sub-Committee in November 2023.

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